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NEWS SUMMARY

GENERAL

Water workers accept pay offer

National officials of the four water industry unions said their members had voted narrowly in favour of the National Water Council's 12.3 per cent pay offer.

Chief union negotiator Eddie Newall telephoned the Council to accept the offer after a union officials' meeting.

Details of the voting were not released after the meeting, but it was known to be extremely close in three of the unions. Officials in areas which had voted heavily against the offer said they did not expect unofficial industrial action.

Polish strike off

Independent trade union leaders in the Polish industrial city of Radom called off a two-hour regional strike set for tomorrow. Earlier story, Page 2

Pressure on Bonn

The Bonn Government is being pressed to tighten legislation on demonstrations after a wave of protests and street fighting in West German cities. Page 2

Soldiers killed

Two Nigerian soldiers of the United Nations peacekeeping force in Lebanon were killed and 11 wounded when a village was shelled by Right-wing forces.

Coup bids fail

An attempt by Moroccan-backed rebels to overthrow the Mauritanian Government has failed, according to Algerian reports. In Sudan, the government said it had foiled a weekend coup attempt.

Oil stake attack

The Anti-Apartheid Movement attacked the Government for giving two South African companies a stake in the latest round of North Sea oil exploration licences. Page 9

Jail plot verdict

Three Irishmen were convicted at the Old Bailey for taking part in a plot to snatch a prisoner by helicopter from Brixton prison.

'Seal cull foiled'

Sixteen thousand of the 18,000 seals reserved for slaughter in this year's Canadian cull have been saved, said the International Fund for Animal Welfare.

Disease ruled out

Tourist flown back to England from Spain last week left hospital after doctors established she was not suffering from Legionnaire's disease.

Moscow siege

Police stormed a Moscow apartment and seized a man who had shot and wounded two people while holding a young girl hostage.

Boxing clever

Boxing is religiously acceptable in Iran provided nobody gets hurt, a senior ayatollah decreed.

Briefly . . .

Peruvian Prime Minister Dr. Manuel Ulloa will pay an official visit to the UK from March 29 to April 1.

Royal Navy divers recovered the wreckage of two helicopters that collided off the Isle of Wight 10 days ago.

Earthquake rocked the Talca province of Chile. No casualties were reported.

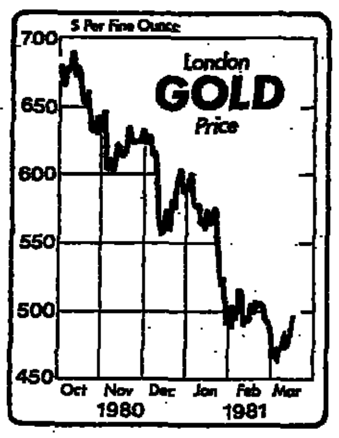
Uganda banned four newspapers opposed to President Milton Obote.

BUSINESS

Pound up 1.95c; equities rally

● STERLING was firmer overall, closing up 1.95c at $2.2280. It was unchanged at DM 4.68 and rose to FFr 11.0450 (FFr 11.0350). Its trade-weighted index rose to 99.5 (99.1). Page 26

● DOLLAR lost ground, closing at DM 2.0905 (DM 2.1050), SwFr 1.9015 (SwFr 1.9275), and Y207.25 (Y207.75). Its trade-weighted index fell to 99.3 (99.8). Page 26



● GOLD was up $6 to $498.5. Page 26

● EQUITY leaders rallied after last week's dullness. The FT 30-share index was up 2.6 to 479.8. Page 32

● GILTS' strong advance continued. The Government Securities index finished up 0.27 to 69.92. Page 32

● WALL STREET was up 5.58 to 991.35 near the close. Page 30

● UK INDUSTRIAL OUTPUT slide accelerated in January in nearly all production sectors. Back Page

● SWEDEN is to become the first foreign borrower to float a sterling bond issue in London since last week's MLR cut. Back Page; Eurobonds, Page 27

● ALL-PARTY TREASURY and Civil Service Committee's relations with the Government are likely to be further strained because its only adviser with broadly monetarist views is resigning. Parliament, Page 12

● BRITISH AEROSPACE applied to the European Airbus Industrie consortium to undertake full final assembly of the A-320 airliner. Page 4

● CONSTRUCTION union officials rejected a pay offer to some 700,000 workers involving a five-month wage freeze and a 5.75 per cent rise in November. Page 13

● GULF OIL agreed to acquire for $325m (£145m) the privately-owned Kemmerer Coal Company, one of the oldest and biggest coal producers in the western U.S. Back Page

● AVANA and ROBERTSON each accused the other of making statements which could mislead Robertson shareholders before Avana's bid closes on Friday. Page 21

● TRUSTHOUSE FORTE will put "quite a considerable amount of money" into the Savoy Hotel group if its takeover bid succeeds, THF executive chairman Sir Charles Forte said. Page 21

● SUTER ELECTRICAL is raising £7.7m by way of a rights issue to finance the purchase of Prestcold Holdings, the commercial refrigeration subsidiary of BL, for £9m. Page 20

● W. CANNING, speciality chemicals, metals and electronics group, reported 1980 pre-tax profits ahead at £1.63m against £1.44m. Page 20

● METALRAX (Holdings), engineering group, reported 1980 taxable profits of £1.86m, compared with £2.53m previously. Page 20

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES:		
Akroyd & Smithers	185	+ 12
Brengreen	49	+ 5
Canning (W.)	59	+ 6
Crest Nicholson	239	+ 9
Ferranti	543	+ 13
Geers Gross	92	+ 6
Haden Carrier	234	+ 8
Hawley Leisure	56	+ 4
ICL	42	+ 5
ICI	232	+ 6
Lloyds & Scottish	185	+ 14
Matthew (B.)	370	+ 23
Muirhead	116	+ 10
Negretti & Zambra	38	+ 6
Plessey	323	+ 6
Rosehaugh	308	+ 10
Royal Bk. Scotland	361	+ 7
Sidlaw	142	+ 11
Sound Diffusion	95	+ 8
Thorn EMI	308	+ 6
Tunnel "B"	386	+ 6
United Biscuits	101	+ 6
Watson (R. K.)	99	+ 11
Woodward (H.)	28	+ 6
Eglinton	143	+ 18
Ashton Mining	125	+ 7
East Driefontein	£13½	+ ½
Impala Plat.	365	+ 20
Meekatharra Minerals	330	+ 80
North Kalgurli	70	+ 6
Northern Mining	142	+ 8
Western Holdings	£32½†	+ 1½
FALLS:		
Chloride	35	− 3
GKN	127	− 8
Jamaica Sugar	20	− 17
Pearson (S.)	204	− 16
Victor Prods.	168	− 7
IC Gas	315	− 15
Shell Transport	392	− 12
Rand London Coal	105	− 7

† Price at suspension

Royal Bank of Scotland and Standard Chartered in talks

BY MICHAEL LAFFERTY, BANKING CORRESPONDENT

STANDARD CHARTERED Bank and Royal Bank of Scotland are holding merger talks which could result in a major new force in British banking. The combined groups have a London stock market capitalisation of about £800m, equivalent to the National Westminster Bank.

Such a merger would represent the biggest banking shake-up since the late sixties, when a series of tie-ups led to the merger of Barclays and Martin's Bank, and the National Provincial and Westminster, and the creation of what is now known as the Royal Bank of Scotland group.

Agreement on the merger terms is expected to be announced at a joint press conference at noon today. Share prices of both banking groups were suspended yesterday.

A merger with Royal Bank of Scotland would give Standard Chartered a London-based bank with substantial international operations, a significant stake in the domestic market. In particular, it would bring it Royal Bank's English subsidiary, Williams and Glyn's Bank, thought to be ideally placed to exploit the market for retail banking services in England.

With 40 to 50 per cent of adults still without bank current accounts, considerable scope for growth is seen by the banks and, because of increasing efforts by the clearing banks, the unbanked market is likely to be substantially reduced within a decade.

There were strong indications last night that the managements of both banking groups favour a merger. It appeared that talks of some kind may have been going on for months.

The implications of such a deal were still being considered by City banking analysts last night. One view is that there is a strong possibility of other bid approaches to Royal Bank because it offers a foreign bidder the only remaining chance of buying a significant stake in Britain's concentrated banking market.

There is a strong view that a merger would probably result in Lloyds Bank acquiring control of the Lloyds and Scottish finance house, in which it and Royal Bank hold stakes of 40 per cent each.

This latter development is thought likely by bank analysts because Standard Chartered owns Chartered Trust, a finance house based on the former operations of Julian Hodge, which has 90 branches. Such a deal might be linked to Lloyds' acceptance of a merger, as it separately.

BRITAIN'S BIG BANKS AFTER THE PROPOSED MERGER
Stock Market capitalisation

	£bn
Barclays	1.1
National Westminster	0.8
Standard Chartered & Royal Bank	0.8
Midland	0.5
Lloyds	0.5
Bank of Scotland	0.1

holds 16 per cent of Royal Bank's shares.

In stock market values, Standard Chartered is roughly three times the size of Royal Bank. It has substantial branch operations in several countries, as well as 59 per cent in South Africa's largest bank. In 1978 it acquired Union Bancorp, a large U.S. bank, in a deal worth $370m (£165m).

In the UK, Standard Chartered has 20 bank branches, all geared to foreign trade finance. The offices of Chartered Trust are mainly in back and side streets and are not considered suitable for offering full-scale retail banking services.

The operations of Royal Bank are almost totally UK-based. Essentially the group includes two banks—Royal Bank, a Scottish clearing bank, and Williams & Glyn's, an English clearer—each managed and operated separately.

In part this has reflected the relative significance of each in local markets: Royal Bank has about 600 branches in Scotland and accounts for almost 50 per cent of the market. Williams & Glyn's, with 320 branches, has little more than 3 per cent of the English market.

Regardless of whether the merger with Standard Chartered goes through, the Royal Bank group is committed to merging the two banks into an integrated UK operation with a common name within the next few years.

Mr. John Burke, Royal group chief executive, says this is likely to be linked to a scheme to make the two banks' branches more suitable for the retail market. "The retail side offers us a big challenge for the eighties. We are really interested in the unbanked section of the population," he said.

It appeared that Standard Chartered and Royal Bank aimed to reveal the merger proposal today, or later in the week. However, speculation in Royal Bank shares, which pushed them up 7p to 96p, prompted the decision to suspend them and disclose that talks were underway. Standard Chartered shares were unchanged at 695p on suspension.

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Social Democrats jubilant as Tory MP joins them

BY RICHARD EVANS, LOBBY EDITOR

THE COUNCIL for Social Democracy jubilantly welcomed its first Conservative recruit last night when Mr. Christopher Brocklebank-Fowler, MP for Norfolk NW, crossed the floor of the Commons after resigning the Tory Whip in protest at Government policies.

His defection from the Conservative Party increases to 13 the number of MPs pledged to launch a social democratic party at the end of the month, and raises the question of whether more Tories will follow him.

The initial indications are that fellow-critics of Mrs. Margaret Thatcher's economic strategy plan to fight their corner within the party rather than leave. Much will depend on the success of the Budget strategy in the next few months.

But Mr. Brocklebank-Fowler's capture, which follows his announcement on Friday that he did not intend to fight his constituency as a Conservative at the next election, is none the less a major fillip for the Social Democrats.

With Mr. Brocklebank-Fowler, a Left-wing Tory with internationalist views, they have widened their base, just as they are about to launch the new party in an attempt to realign British politics. To make significant electoral headway in the South of England they must make substantial inroads into the Tory as well as the Labour vote.

Mr. Brocklebank-Fowler's resignation of the Whip was announced dramatically in the final day of the Commons debate on the Budget, as the Government prepared to counter a threatened rebellion among Tory MPs against the proposed 20p increase in petrol duty.

There was further evidence of continuing conflict over the Budget yesterday, when Mrs. Thatcher confirmed that she had instituted a security inquiry into alleged leaking of Budget secrets.

The senior civil servant in charge will question Ministers and civil servants in the Treasury to discover how Sunday newspapers forecast Budget provisions two days before the Chancellor's statement. The inquiry is the latest in a series of investigations into leaks that have been plaguing the Government.

Mr. Brocklebank-Fowler spoke with passion in his resignation speech against a wide range of Government policies as well as the Budget provisions, and accused Ministers of going back on their election pledges. He then crossed the floor of the

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Tory crosses floor, Page 12
Prior calls on dissidents, Page 12

Current account in surplus

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE UK had another huge surplus in February on the current account of its balance of payments. But there are signs that exports of manufactured goods are declining.

Department of Trade figures published yesterday show a current account surplus of £614m last month. This is down from the freak figure of £1.04bn in January but around the level of the final three months of last year.

The result is that the UK surplus in the first two months of 1981 has been more than half the £3bn the Treasury projected last week for the whole year.

The main favourable influences are a large and rising surplus on oil trade and a bigger invisibles surplus, thanks to the impact of the rebate on the UK's EEC contributions. Between December and February the oil surplus rose by about £250m and the invisibles surplus by £311m.

In contrast, the surplus on trade in finished manufactured goods (other than erratic items such as ships, North Sea rigs and aircraft) fell by roughly £200m.

Sluggish world trade and the big cumulative deterioration in Britain's competitive position in the last three years are now starting to have an impact.

BALANCE OF PAYMENTS
(£m, seasonally adjusted)

	Visible trade	Invisibles	Current account
1979	−3,497	+1,867	−1,630
1980	+1,177	+1,560	+2,737
1st quarter	−388	+458	+70
2nd quarter	−320	+232	−88
3rd quarter	+616	+254	+870
4th quarter	+1,269	+616	+1,885
Oct.	+506	+205	+711
Nov.	+410	+205	+615
Dec.	+353	+206	+599
1981 Jan.	+742	+300	+1,042
Feb.	+314	+300	+614

Source: Department of Trade.

The Department of Trade says the underlying trend in the volume of exports (including oil) has been broadly flat since the middle of last year, although the figures for the latest months suggest a decline.

The manufacturing position is worse. Excluding erratics, the volume of manufactured exports dropped by 3.5 per cent between December and February compared with the previous three months, with car exports down by 16 per cent.

The level of imports has fluctuated sharply in recent months, with a sharp rise in February, but the decline appears to be slowing down.

The volume of manufactured imports (excluding erratics) rose by 1 per cent in the latest three months. This included a 2.5 per cent increase in purchases of semi-manufactured goods, including chemicals, and a 9 per cent increase in car imports, both from very low levels.

The publication of trade figures for March is expected to be delayed by civil service unions' industral action.

Price cut compaigns, Page 9
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Industrial output, Back Page

UK fails in farm price restraint bid

By John Wyles in Brussels

THE UK yesterday failed in its bid to line up Community Finance Ministers behind a declaration in favour of restraint in the fixing of this year's farm prices.

This means that 8 out of 10 Governments do not want their farm ministers to be explicitly shackled with concerns about breaking the EEC's budget when they negotiate new farm prices over the next few weeks.

Mr. Christopher Tugendhat, the Budget Commissioner, told Finance Ministers that if no economies were adopted and prices were raised by 10.8 per

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£ in New York

	Mar. 13	Previous
Spot	$2.2200-2215	$2.2205-2220
1 month	0.44-0.51 pm	0.33-0.45 pm
3 months	1.30-1.40 pm	1.40-1.50 pm
12 months	5.20-5.40 pm	5.60-5.80 pm

Puzzle over Nissan offer

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

A CLAIM by Mr. Christopher Brocklebank-Fowler, the rebel Tory MP, that Nissan, maker of Datsun cars, had offered to invest in BL, met a puzzled response last night.

Giving his reasons for joining the Social Democrats, Mr. Brocklebank-Fowler told the Commons he had brought "an offer in writing to discuss with the British Government a feasibility plan for a partnership between Nissan and the Government for a major rescue operation of BL."

He said the offer was conveyed to five members of the Cabinet.

"Had serious action been taken upon that offer there was a chance of substantial Japanese investment and transfer of high technology to BL, which could have laid the foundation for a much larger motor industry," he added.

BL said later that it had had some talks with Nissan in the past, "but not about full collaboration."

The two companies co-operate in some African markets, and are therefore in regular contact. "I would have been surprised if any offer of full collaboration had not been made direct," a BL official said.

The Department of Industry said: "We know Mr. Brocklebank-Fowler had discussions with Ministers in which he reported Nissan's expression of interest in setting up in Britain."

The Department would go no further but it is clear that officials did not see any written statement of intent from Nissan.

Neither is it their understanding that an approach to BL was involved.

Mr. Brocklebank-Fowler has been an adviser to the marketing consultant Fitzham Fowler, which has Datsun UK as one of its clients.

Nissan is making a four-month feasibility study as to whether a car plant in Britain would be a viable proposition for it.

Bank staff back action for 12%

BY NICK GARNETT, LABOUR STAFF

CLERICAL STAFF at the Lloyds Bank main computer centre at Sampson House, London, have voted overwhelmingly in favour of industrial action in support of a claim for rises of 12 to 13 per cent.

Bank officials said the vote was about five to one for disruptive action by those members of the Banking, Insurance and Finance Union who voted.

The computer centre handles the bank's cheque-clearing, cash-dispensing system and personal and company accounts.

Though the clerical staff are not directly involved with the two latter functions, picket lines could prevent data processing staff entering the centre.

The union's clearing banks section will recommend to the union's executive today what industrial action to mount in the clearers.

This will be announced by the union on Thursday, by which time balloting on industrial action at two of Barclays' three main computer centres will be completed. Barclays and Lloyds have been chosen as targets in the initial phase of disruptive stoppages.

The Federation of London Clearing Bank Employers and the two principal banking unions, BIFU and the Clearing Bank Union, are anxious for further pay talks. These are likely this week.

At the pay negotiations last week the employers offered an increase of 9.25 per cent for the five banks' 180,000 clerical staff, but said that was not their last offer.

They also asked the unions if they would accept 10 per cent if such an offer was made. This figure is thought to be the limit to which bank negotiators have been mandated to go. In any case the two unions said it would not be acceptable.

Bank negotiators now seek a further mandate from the employers on how far they can raise the offer. Pay negotiations for the banks' 15,000 technical and services staff are due to resume today.

The non-TUC-affiliated CBU, which has more members than BIFU in the clearers but much lower representation in the computer centres, has issued its members with a code of practice on industrial action.

The code falls far short of saying that CBU members should not cross BIFU picket lines. It says that if CBU members do not want to cross picket lines, they should hold a ballot on that issue before deciding.

Plan to foil civil servants strike, Back Page

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Clashes prompt call for Bonn to tighten law

BY ROGER BOYES IN BONN

THE BONN Government is under increasing pressure to tighten legislation on demonstrations following a wave of protests and street fighting that has swept West German cities.

The latest, most symbolic incident, came this weekend when three men tried unsuccessfully to set fire to the Reichstag building in West Berlin. An arson attempt on the same parliament building in 1933 prompted Hitler to establish special powers and paved the way for his dictatorship.

Meanwhile, in over a dozen other cities, people have been taking to the streets to protest against causes as diverse as El Salvador, human rights policies in Turkey, the housing shortage and nuclear energy.

Now the opposition Christian Democrats have announced that they will introduce a special law which would make protesters in violent demonstrations guilty of a breach of the peace even if they were not personally involved in the violence. The opposition claims this would make the task of the police far easier and would have a deterrent effect on young demonstrators.

However, Herr Gerhart Rudolf Baum, the Interior Minister, has stressed that this would be an "over-reaction" and would simply create yet more violence. This view is given particular credibility by a police action in Nuremberg some 10 days ago. After six windows were broken during a demonstration, 141 people were rounded up and imprisoned, many of them for four days or more without access to lawyers or contact with relatives. It emerged later that over 50 of them were 14-16-year-olds who had been sitting in a neighbouring youth club at the time.

Herr Franz Josef Strauss, leader of the Bavarian Christian Social Union and state Premier, last weekend described the latest demonstrations as being a breeding ground for terrorists, a view vehemently contested by the Bonn Government. Herr Strauss has put his full backing behind the plea of the Bavarian Interior Ministry for a greater anti-protest armoury for the police, including rubber bullets.

Police chiefs say the root of the demonstrations—not all of them violent—is the Government's failure to put forward their policies convincingly. In the case of nuclear energy, this seems to have some validity. The political tug-of-war over the future of the Brokdorf nuclear power plant helped make it a rallying point for anti-nuclear demonstrators.

However, other clashes appeared to have been prompted as much by general resentment at the overwhelming police presence as by the original complaint. Thus, in West Berlin, fights between squatters and policemen trying to remove them have in general come to a halt because Herr Hans Jochen Vogel, the Mayor, has instructed the police to adopt a particularly cautious approach.

The logical consequence of these developments is that the Bonn Government is more likely to change the laws on squatting and rents, thus removing a source of conflict, than it is to change the laws on demonstrations which could simply spark off more conflict.

Swiss halt nuclear sale to Pakistan

By Our Foreign Staff

A SWISS engineering company has said it is stopping supplies of nuclear-related equipment to Pakistan following a bomb attack on the house of one of its directors.

The attack is the first reported incident of violence against Pakistan's nuclear purchasing which is associated with a secret uranium enrichment facility near Islamabad believed to be for the manufacture of a nuclear bomb.

Cora, the Swiss company, had supplied equipment for handling uranium hexafluoride gas and is believed to have had experts in Pakistan offering technical advice.

Telephone threats against Cora. No one has claimed credit for the bomb attack and further but both Israel and India are known to be extremely concerned about Pakistan's perceived ambitions to acquire nuclear weapons.

Last year, the U.S. stopped deliveries of slightly enriched uranium to Swiss nuclear power plants because of its concern about sales of equipment to Pakistan. At the time it was said that five Swiss companies were involved.

Reagan attacked

Moscow's senior U.S. policy-maker, Mr. Georgy Arbatov, yesterday sharply criticised the West and President Ronald Reagan in particular for delaying talks on a new strategic arms limitation treaty (SALT), writes Roger Boyes in Bonn.

Speaking at a news conference in Bonn, Mr. Arbatov stressed that the U.S. President was on a "dangerous course"

Ministers set May target to end EEC deadlock over insurance

BY JOHN WYLES IN BRUSSELS

THE ANGLO-DUTCH drive for a genuine Common Market for non-life insurance services drew only mild support from European Community Economics Ministers here yesterday. But they did set a May deadline for an attempt to break the deadlock on the main obstacle to adoption of the European Commission's six-year-old draft directive on the issue.

In the meantime, the Ten's committee of permanent representatives has been charged with trying to find a possible formula for agreement on the highly controversial question of national control over the insurance of risks by companies established elsewhere in the Community. It appears eight countries still want substantial controls. This is still anathema to Britain and the Netherlands, although the Dutch Government, currently holding the presidency of the Community, is willing to compromise in the interests of forging an agreement.

Sir Geoffrey Howe, Britain's Chancellor of the Exchequer, yesterday called for a new political impulse towards agreement on the directive. He argued that the EEC freedom of establishment directive governing non-life insurance companies adopted in 1973 removed any requirement for further supervision by national governments.

Even if substantial progress is made in May, there will be further solid problems to be overcome if, as the UK hopes, the directive is to be adopted during the British occupancy of the Community presidency in the second half of this year.

One of the trickiest remains the tax question. Insurance services are excluded from the sixth directive establishing Value Added Tax on a Community-wide basis. But France has long argued that they ought to be included if the freedom of services directive is to be adopted.

This is widely seen as a delaying tactic. But most other member states also wish to protect their national insurance industries from a probably sharp blast of competition from the extremely powerful British insurance sector.

Portugal to ease foreign investment

THE Portuguese Government plans to loosen foreign investment controls. Sr. Joao Morais Leitao, the Finance Minister, said yesterday. He said it was impossible to maintain administrative control of foreign investment in Portugal, because of Common Market membership, Diana Smith writes from Lisbon.

The Finance Minister pointed out that some areas of foreign investment, involving technology transfers, should continue to be contingent on authorisation by the authorities.

Portugal saw a great improvement in new foreign investment last year, when Esc 9bn (£69.2m) was recorded—double the 1979 figure.

Swedish exports fall

Demand for Swedish industrial goods fell in volume by about 20 per cent in January compared with the same month last year. Export orders fell by 26 per cent, according to preliminary figures from the Statistical Central Bureau, William Dullforce reports from Stockholm.

Dissident held

Mr. Alexander Shatravka, a Soviet sailor who crossed the border into Finland in 1974, and was handed back by the Finns, has been incarcerated at the Dnepropetrovsk psychiatric hospital, dissidents say, David Satter reports from Moscow.

Swiss outlook gloomy

Considerable slowing in the Swiss economy has been forecast for 1981 by the Federal Statistics Office. It reckons economic growth over the year of 1 per cent at best, John Wicks reports from Zurich.

Way cleared for Italian N-station

BY JAMES BUXTON IN ROME

ITALY'S STALLED nuclear power station programme took an important step forward at the weekend with the signing of an agreement paving the way for a 2000MW nuclear plant in Apulia, in the south-east.

The agreement, between the national Nuclear Energy Committee and Apulia's regional government, will be followed by the selection of a site and a decision to build on it. This is expected to take 18 months. Two pressurised water reactors are expected to be installed.

The importance of the agreement was indicated by the presence of three government Ministers, including Sig. Filippo Pandolfi, the Industry Minister. Italy has only three nuclear power stations in operation. Others have been delayed by strong political objections.

As a result the country's whole electricity generating programme is in jeopardy. Only one big new power stations of any kind has been commenced since 1975. This is a nuclear plant named Montalto di Castro, north of Rome, and work was stopped for a long time because of objections by the local mayor. Work finally resumed at the end of last year.

Earlier this year, unusually cold weather combined with strikes and difficulties in unloading fuel at seaside power stations caused power cuts which may have helped focus public attention on the energy problem. Power stations nearing completion will break the energy bottleneck within the next year or so but will actually increase the electricity industry's dependence on imported oil.

ENEL, the state electricity authority, has warned repeatedly that if a programme of coal-fired, nuclear and other non-oil burning power stations is not started, electricity supply could fall 30 per cent short of demand by 1991.

Walesa tries to head off trouble in Radom

BY CHRISTOPHER BOBINSKI IN WARSAW

MR. LECH WALESA, leader of Solidarity, the independent Polish trade union, arrived in Radom yesterday to try to resolve the conflict between local union leaders and the authorities there.

Solidarity in Radom, 60 miles south of Warsaw, has succeeded in its demand for the dismissal of some local officials held to be responsible for beating up workers in 1976 during demonstrations against food prices rises. But it is insisting that if a government commission does not arrive in the city today for talks on this and other demands, a two-hour warning strike will go ahead tomorrow.

The authorities announced at the weekend that Mr. Roman Mackowski, the local government leader, had resigned and that Mr. Janusz Prokopiak, the party Secretary, would resign yesterday. These concessions have not satisfied the union which is still demanding that the local police chief be sacked and that a police headquarters now under construction should be handed over to the health service.

The Radom branch of Solidarity also wants additional spending on housing in the city and for charges to be dropped against dissidents who are also Solidarity advisers, like Mr. Jacek Kuron, leader of the KOR, Workers' Self-Defence Association.

If agreement is not reached by next Monday the whole region, an important engineering and light industry centre, will go on strike.

Aid burden irks East Germans

BY LESLIE COLITT

MANY ORDINARY East Germans resent the degree of economic aid their Government is giving to Poland. "We have enough problems of our own without taking on Poland's problems. They should get back to work," was a typical attitude expressed in conversations with workers visiting the current Leipzig Trade Fair.

East Berlin has just announced another 500m Mark loan to Warsaw of which 250m Marks is in hard currency.

East Germans tend to view the Polish crisis almost entirely in economic terms and most feel it can only be solved if the Poles "put in a proper day's work" as one Leipziger suggested.

An East German office worker, expressing feelings commonly heard here, said there is a "limit to how much can be squeezed out of this country." She pointed out that East Germany is straining to aid a string of African countries as well as Cuba and the less advanced Balkan Comecon countries and "now Poland."

Many East Germans believe the Soviet Union has put pressure on their country to help Poland financially as well as delivering meat, butter and other supplies. In fact, East German aid to Warsaw is now greater proportionately than that of the Soviet Union.

Not all East Germans, however, view Poland entirely through an economic prism. One of the longest queues in Leipzig is outside the Polish information and cultural centre where young East Germans, in particular, are eager to obtain anything Polish from records to newspapers and magazines which they decipher at home. They feel sympathy for the Solidarity independent union in Poland precisely because it is under heavy attack from Moscow and East Berlin.

Intellectuals, too, express their support for the independent union movement in Poland but add that it will have no effect on East Germany. "We are too well protected by our friends for that to happen," said one book editor.

Running like a thread through all the East German conversations is the belief that nothing can change in East Germany because of the massive Soviet military presence in the country.

"Most people here are critical of the Poles because they are actually doing what we secretly dream about," said an East German university lecturer. "This is why we lapse into the old German prejudices about the Poles and write them off as being lazy and troublemakers to boot."

Japan connection, Page 4

Transport strike widens in Paris

By Terry Dodsworth in Paris

A WEEK-OLD strike of Paris busmen, led by the Communist-controlled CGT union, worsened seriously yesterday following police intervention to move strikers out of a number of depots.

The management's hard line in calling in the police appeared last night to have boomeranged, bringing out employees not previously involved.

According to the RATP, the Paris public transport authority, only about 35 per cent of buses were running yesterday, with seven of the 23 depots occupied by strikers.

The dispute broke out in a muted fashion last week on the issue of late-night security for busmen. Following an attack on a driver, the CGT staged a demonstration by using buses to block an important approach road to the Eiffel Tower.

This action was followed by disciplinary measures against the drivers, culminating in the call to the police to clear the striking depots and take action over the misuse of the RATP buses and fuel.

Although the left-wing CFDT has now thrown its support behind the CGT, the latter's action has been condemned by other workers as being politically motivated in the run up to the presidential elections.

The moderate Force Ouvriere said the dispute had been carefully orchestrated by the Communist party which was using the problems in the bus authority for electoral ends.

Because of this disunity among the unions, the CGT has so far failed in its attempts to extend a co-ordinated strike to the Metro system. But both the Communist union and the CFDT announced last night that they will stage individual action on the Metro this week, which is bound to create chaos in the Paris transport system.

The RATP's hard line against the strikers is partly based on its argument that it is already introducing extra safety measures on the buses.

● Coluche, the comedian, who bowed out stage-left from the French presidential contest on Sunday, re-entered stage-right yesterday.

Less than 24 hours after abandoning hope of qualifying for the first ballot on April 26, the roly-poly comic invited the Press to the theatre where he does his nightly show, indulged in a ceremonial Last Supper on the proscenium and announced he was going on hunger strike until he was allowed on to political programmes on radio and television.

He was protesting against being blacklisted from radio and TV when other minor candidates, who had scored less well in opinion polls, were invited to take part in broadcasts.

● France's trade deficit, after reaching an all-time high in January, narrowed on a seasonally adjusted basis from FFr 5.9bn (£536m) to FFr 3.6bn (£327m) last month, below the February 1980 figure of FFr 4.2bn (£381m).

The recovery, coming in spite of the higher cost of dollar-denominated oil imports, partly reflected a strong food export performance.

The unadjusted deficit so far this year stands at FFr 12.3bn (£1.18bn) compared with FFr 11.9bn (£1.08bn) in the first two months of last year

PRESIDENT SHAGARI'S UK VISIT

Britain looking for major trade boost with Nigeria

BY MARK WEBSTER

THE STATE visit to Britain of the Nigerian head of state, President Shehu Shagari, which starts today is expected to provide a major impetus to British commercial links with the oil-rich West African country.

British investors will be hoping the visit goes some way towards easing worries about communications in Nigeria, inconsistent policies, corruption and high local costs that have militated against new investment in the country in recent years.

Nigeria is Britain's tenth biggest export market in the world, but the Lagos Government is anxious to encourage new British fixed investment in its booming economy.

Britain is already the largest single foreign investor in Nigeria and its assets have a market value estimated at £2bn which is 40 per cent of the total foreign investment.

But President Shagari is expected to spearhead a drive during his three-day state visit to persuade more British companies to invest. During his unofficial stay following the state visit, the President will meet British businessmen, according to diplomats.

Britain is particularly looking at the recently published Fourth National Development Plan which anticipates investment of some £65bn over the next five years. The plan priorities are agriculture, food processing, building materials, engineering, transport, and chemicals.

Despite numerous commercial exchanges since the civilian government came to power in October 1979, the Nigerian authorities complain that there has been no substantial new British investment in the country during recent years.

None the less, Britain is bidding hard for contracts which would re-equip the Nigerian armed forces. The deal, which has been under negotiations for some time, could be worth as much as £800m.

British companies also stand to win some of their largest civil engineering contracts since the new government came to power thanks to a £200m line of credit for a pulp and paper facility signed recently by Morgan-Grenfell.

Both countries see the visit as a reflection of the improved bilateral relations since the independence of Zimbabwe in April last year. But economic questions are likely to play an important part in discussions.

Nigeria wants Britain to cut its yawning trade surplus—more than £1bn last year—but Britain has answered that there is little it can buy from Nigeria while its principle export is crude oil of a similar quality to North Sea oil.

One impediment to improving economic relations was removed this year with the announcement that BP was to receive £60m compensation for its Nigerian interests nationalised in August 1979. BP is also hopeful that it will gain longer term access to Nigerian crude production now running at around 2m barrels a day.

During talks, President Shagari is also expected to urge Britain to help speed up the pace of negotiations on the independence of Namibia. Nigeria is one of the countries most actively canvassing economic sanctions against South Africa.

NIGERIA is considered the "giant" of black Africa because of its immense oil wealth and huge population. Oil revenues could top $27bn this year but they are spread thinly, considering Nigeria's estimated population of 80 to 100m.

Its money and size has given the country a dominant position in African affairs which is sometimes resented by its smaller, poorer neighbours. But it has taken a lead on such issues as apartheid in South Africa and independence for Namibia. It has recently been searching for a solution to the Libyan intervention in Chad.

Nigeria has not been afraid to throw its weight around in the past. In August, 1979, it nationalised BP's interests for alleged involvement with South Africa. The new civilian government has expressed its determination to use any weapons necessary to achieve change in southern Africa.

But the government, led by the soft-spoken northerner, Mr. Shehu Shagari, is more ready to talk than his military predecessor. There have been repeated high level exchanges between Nigeria and Britain, including a visit by Lord Carrington, Foreign Secretary, to Lagos to discuss international affairs.

Employers are talking tougher than for many years, writes Rupert Cornwell in Rome

Italy's unions lurch out of the golden age

TO LEARN that Italy's bus, rail and air services are in chaos is probably about as novel as to be told that there is a great deal of sand in the Sahara. Yet the disruption which for weeks has plagued transport here is but one aspect of one of the most important recent changes in Italy: the loss of authority of the official union movement.

The central federation, made up of the "big three" unions—the CGIL, CISL and UIL—is in greater difficulty than at any time perhaps since the famous "hot autumn" of 1969 which, in retrospect, marked the start of the golden age of union power.

Today it is clear that those halcyon days are over. The unions are fighting to hang on to the gains they made in the 1970s, when the average Italian salaried worker became one of the best protected in Europe. Now many people believe that amid present confusion a new era is beginning—one in which the pendulum is swinging back towards the employers and a more market-orientated approach to economic matters.

The pendulum started to move a year or two ago. But the trend became embarrassingly visible with the collapse of last autumn's Fiat strike, in protest at the car group's plans to shed 23,000 workers. The sudden end of resistance in Turin, the march of the 40,000 demanding a return to work, were like the first rockslides which start an avalanche. Where Fiat moved, Montedison and other companies are following.

Nothing could have done more to reduce the standing of the unions. The big three are now at odds among themselves, and undermined by their political allies. They are wondering about their own internal process of decision-making and

The unions were gradually sucked into a political vacuum. Economic, and indeed much social policy was made in meetings not of the cabinet of the month, but between ministers and union leaders. Faced with Italy's manifest economic problems, and taking their cue from the then Communist strategy of the "historic compromise," the unions had little choice but to adopt a moderate, and broadly responsible line. Social

> The unions, like politicians and even terrorists, have fallen victim to the confusions and contradictions of Italian life.

challenged on the shop floor both by increasingly powerful "autonomous" or independent unions, and by their rank-and-file in general. The employers, sensing that the initiative is moving their way are talking tougher than for many years.

As always in Italy, events must be placed in a political context. The waxing of the union's influence in the 1970s mirrored a general swing to the left, and to the Communists in particular, who dominate the largest union, the CGIL. But it was also in inverse proportion to the declining authority of the politicians.

siderations assumed a greater importance than pay gains, protected in any case by the *scala mobile* system of wage indexation.

Now everything (or almost everything) has gone wrong. In the harsh economic climate of the 1980s, Italy plainly can no longer afford to continue the concessions of the previous decade if it is to retain its international competitivity. Of this, the union leadership is well aware. But how do you sell this to the rank-and-file, especially when an archaic tax system and fiscal drag is removing even the protection offered by the *Scala Mobile*?

Hence the recent surge in support for the autonomous unions, of which Cisal, the largest, claims over 1m members, not much less than UIL, the smallest of the big three. The *autonomi* — concerned with pay, not politics — are particularly strong in the public sector, and responsible in good measure for those really maddening Italian strikes which paralyse transport and reduce hospitals to a shambles.

The spate of wildcat transport strikes right now, particularly in Rome, is proof of their power. The official unions have been forced to call their own stoppages, to prove they can cause more disruption than their independent rivals and are thus still the people with whom the authorities should negotiate.

All this inevitably has propelled the federation into taking a harder line on wages, and thus on to a collision course with Confindustria, the employers' association. The unions' difficulties are compounded by centrifugal changes in the structure of industry towards dynamic small and medium-sized concerns, whose prosperity in part reflects the low level of union membership among employees. Where the official unions are strongest is in the big companies, particularly steel and the public sector, whose problems are such that survival, rather than big pay increases, is the priority of the hour.

Nor is this all. Although the unions hate to admit it, they cannot but be coloured by the political parties with which they are linked. If the Communists dominate the CGIL (4.9m members), the second union, the CISL, with 3m members, is Catholic/Christian Democrat influenced, while UIL draws on the Socialists. Social Democrats and Republicans. Now not only are natural policy differences springing up between them, for example, on a shorter working week, or job-sharing to ease unemployment, but political developments have made a united approach more difficult to sustain.

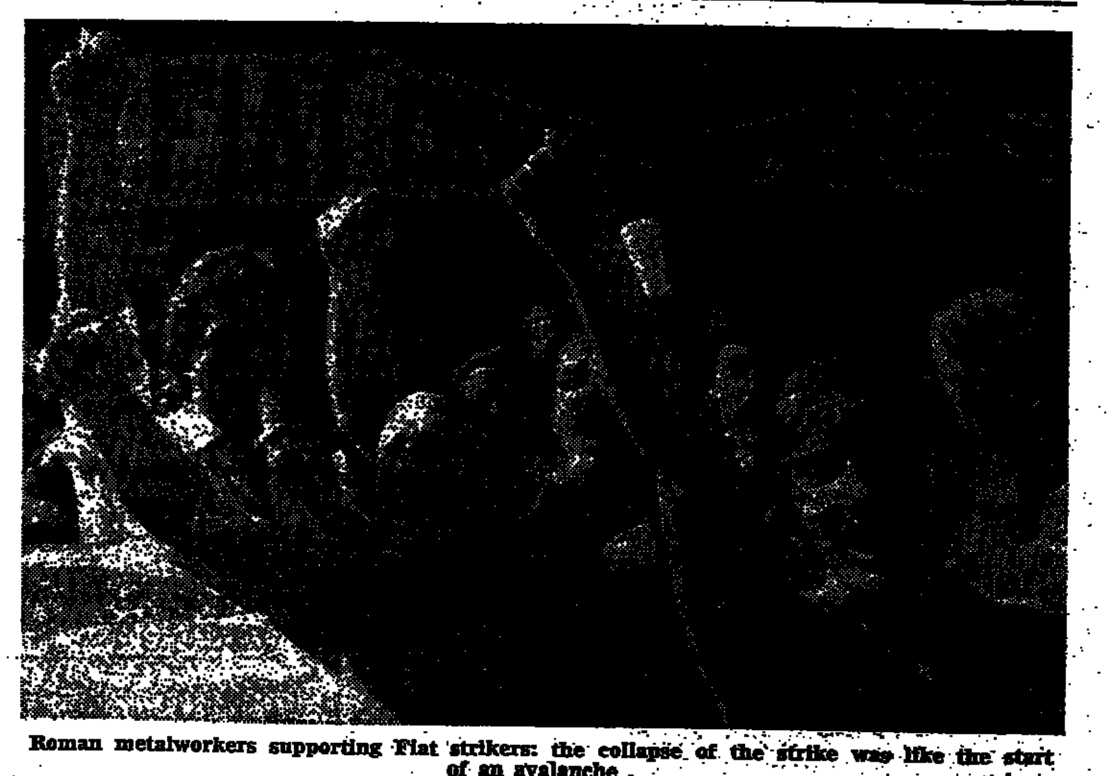
Relations have grown worse between Socialists and Communists on the left, and between Communists and Christian Democrats at large. Not only does the idea of a full merger of the three unions, considered a decade ago, seem highly unrealistic, but the existing balance of power within the confederal triumvirate is also looking wobbly.

Hitherto, despite their differing sizes, the "big three" unions, have shared jobs within the federation exactly equally. But last month Sig. Enrico Berlinguer, the Communist leader, sent a new tremor through a jittery union establishment by proposing that posts be allotted in proportion to the numerical strength of the partners, obviously favouring the CGIL.

His motives for doing so are still a mystery. But the move has worsened relations between party and union, and further disorientated the largely Communist CGIL rank-and-file.

It is all one more proof of how the unions, like politicians and even terrorists, have fallen victim to the confusions and contradictions of Italian life. But industry should not be too enthusiastic. Whatever its misjudgments, a relatively compact union movement was a stabilising element in the difficult decade of the 1970s. If it now starts to disintegrate, the risk is of anarchy.

The present talk is of regulations to cut strikes in essential sectors of public life. But we all know whose one claim to fame it was that at least he made the trains run on time.



Roman metalworkers supporting Fiat strikers: the collapse of the strike was like the start of an avalanche

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The sleeping dragon drifts away from Japan's exporters

BY CHARLES SMITH, FAR EAST EDITOR IN TOKYO

IN THE last week of January telex machines at the head offices of several big Japanese plant exporters began printing a series of urgent messages from China's National Technical Import Corporation. The messages called on the Japanese companies either to "stop work on" or to "terminate" an estimated Y1,200bn (£2.6bn) worth of projects, including four major petrochemical complexes and key portions of the huge Baoshan integrated steel works outside Shanghai.

The Techno-Import Corporation's telexes have been represented in Tokyo as touching off what is potentially the worst Sino-Japanese crisis since diplomatic relations were normalised in 1972. The possible legal complexities are baffling and there seems a serious risk that governments as well as business will be drawn deeply into the dispute.

Yet the Japanese either knew, or should have known, what was coming several months before the blow actually fell. From the end of 1980 China had begun dropping hints through "third parties" (such as visiting Japanese politicians) that it might be forced to cancel or postpone some contracts. A request to postpone procurement of components for certain projects was sent out on January 5, but apparently ignored in Japan. Japanese companies saw no point in stopping work until forced to do so by China suspending payments.

Ironically, China seems to have gone on paying for components even after the Technical Import Corporation despatched its "definitive" telex messages. Still more remarkable, the China Ocean Shipping Company (a state-owned Chinese line) has continued sending ships to Japan to load machinery components. The Japanese interpret this as meaning that the left hand does not know what the right hand is doing in today's China. Thus, they say "business as usual" for as long as humanly possible as being in their best interests.

What is not in doubt is that the cancellation decisions were made high up in the leadership and for urgent reasons. Cancelling plant contracts was probably the quickest and most effective way for Peking to cut its 1981 capital construction budget by 40 per cent, urgently needed to reduce inflationary pressures. It also seems to have been seen as a quick and easy way of cutting oil consumption.

The four big petrochemical complexes for which the Japanese were to have been responsible would have used an estimated 8m tons of crude oil as feedstock, according to Japanese estimates. When China planned the complex in 1977/78 its oil production was officially expected to rise from just over 100m tons a year (at the time) to 240m tons by the mid-1980s. The expectation now is that oil production will fall throughout the early 1980s, since China's new offshore fields will not begin production until the second half of the decade. Responsibility for overestimating the trend of oil production appears to be an issue in Peking's current bout of political infighting, although no one in Japan pretends to understand the details.

Scarcely less baffling than the political background is the question of how China can resolve the legal issues. The Chinese have said they will pay compensation "in accordance with standard international practice" and have even sent a group of officials (headed by a vice-president of the Techno-Import Corporation) to Tokyo to discuss the problem. This gesture, however, seems to have failed to impress Japan. The belief in Tokyo is that:

● China does not have the money to pay the full value of cancelled contracts (although the published figures include contracts which have already been partially executed and paid for);

● If it does intend to pay, negotiations will have to be conducted at a much higher level.

Japanese businessmen and officials are accordingly hinting that a top Chinese leader should come to Tokyo in April for wide-ranging talks on the problem and its possible ramifications for Sino-Japanese relations. Not until such an official arrives will Japan reveal to what extent it is prepared to let China off the hook.

If the Japanese eventually decide to bail the Chinese out, they could help either by offering to reschedule some contracts (as an alternative to outright cancellation), or by offering financial assistance. The problem about the second option is that Japan has already promised to lend large amounts of money, which China seems in no hurry to make use of. Specifically, lines of credit are open for $3bn worth of commercial loans from Japanese banks and for Yen 108bn of soft loans from the Government.

China has not drawn on the commercial bank credits because the interest rates (based on the London inter-bank offered rate) are allegedly too high. It has taken up only a tiny portion of the government soft loans because these are tied to specific infrastructure projects which cannot start without a large input of domestic funds. What China would apparently like is a large low-interest rate dollar loan for use in any way Peking sees fit (including for domestic funding).

Japan itself raised similar types of loans during the 1950s and 1960s when its economy was growing fast. But what China needs today is probably far more than Japan required a couple of decades ago.

If Japan fails to come up with additional loans, and if the two nations fail to agree on compensation, Japan's Ministry of International Trade and Industry could be forced to pay compensation out of its official export insurance fund (equivalent to Britain's Export Credits Guarantee Department). This would have the effect of making China ineligible for official export insurance cover for several years. This, in turn, might mean that quite a large portion of Sino-Japanese trade would grind to a halt.

Considering that China was Japan's second largest export market in 1980, and that it will still be a major market even in 1981, the implications of an insurance pay-out are obviously serious. But a collapse of two-way trade would not be the only result of a failure to agree on compensation. The political relationship would almost certainly suffer as well.

Japanese commentators began pointing out several weeks ago that the Sino-Soviet split had its seed in a series of arguments between Peking and Moscow about responsibility for abandoned plant projects. Professional Japanese China watchers who make it their business to watch the Communist-controlled Hong Kong press claim to have noticed at least two mildly anti-Japanese reports in recent weeks.

Something may be saved from the 'great leap sideways'

BY TONY WALKER IN PEKING

AN ESSENTIAL difference between China and Japan is that whereas the Japanese personality is more inscrutable, the Chinese as a nation are more impervious to outside influence. That is the view of a senior Japanese diplomat in Peking.

China and Japan are close neighbours. They have embarked on an immense commercial relationship. There are more journalists, businessmen and diplomats from Japan in Peking than from all Western countries combined. Yet each nation seems to have neglected to find out how the other works and thinks.

For example, expensive mistakes were made over the choice of site for Baoshan, the multi-billion dollar integrated steelworks being built on the fringes of Shanghai. Baoshan symbolised the flourishing economic relations between the two countries. It has now virtually stopped, while Nippon Steel, the main contractor, sorts out with the Chinese ways of salvaging something.

There is little doubt China and Japan approach their relationship from very different standpoints. For Japan the basic element is business. For China, strategic considerations seem more important than commercial ones.

'China is, after all, a universe by itself to many Chinese'

Mr. Tan Wen Rui, a deputy chief editor of the People's Daily, the Communist Party newspaper, said recently: "Our leaders have said we'll develop relations with both Tokyo and Washington, not from self-interest, but out of considerations for international strategic requirements." A Japanese official would be most unlikely to discuss the relationship in those terms.

The Sino-Japanese relationship will almost certainly always be complicated. This is as much the result of the contradictions between the political systems of Communist China and Capitalist Japan as it is of history. But differences of personality of the two peoples are perhaps the most important.

One Japanese official said: "China is, after all, a universe by itself to many Chinese." Japan was seen by Peking in the early stages of the modernisation drive as a source of technology and money rather than as an equal partner.

China's apparent ambivalence towards Japan is almost certainly partly the result of an unhappy recent history entangled with traditional feelings of superiority towards what the Chinese regard as an inferior imitation of their own civilisation.

Japan colonised North China (Manchuria) in the early 1930s, after which came a protracted war during which the Japanese were responsible for some bloody atrocities. At one point, Japan had more than 1m men under arms in China.

While China's younger generation, like their counterparts in Japan, probably know or care little about what is referred to here as the "Anti-Japanese War" Chinese memories and Japanese guilt about what happened is undoubtedly a potent undercurrent in the relationship.

Chinese officials will bring up the point that China made no claim for war reparations, the unspoken argument being that Japan should be reasonable during the present difficulties. Few Chinese would put it as crudely as that, but the reparations issue is doubtless regarded as moral justification for the sudden and damaging (to Japanese interests) cancellation of contracts.

'They can't simply tell each other to get lost. They need each other'

Chinese officials fond of historical allusions remind those sceptical of whether China will comply with international practice when it comes to paying compensation to Japanese companies that China paid its debts to the Soviet Union when the relationship turned sour at the end of the 1950s.

"What we can say now is that we will keep faith with those with whom we signed agreements," Mr. Tan said. "If Japanese enterprises suffer, we'll pay compensation according to international practice."

This matter of keeping faith may mean different things to each side, but there is no doubt the Chinese have been dismayed by the angry international reaction to their unorthodox approach to doing business.

An experienced diplomat believes there may be some benefits for the Sino-Japanese relationship as a result of China's embarrassing leap sideways. "They may get to know each other better," the diplomat said. "They can't simply tell each other to get lost. They need each other."

Iraq moves to resume Gulf exports

BY OUR FOREIGN STAFF

IRAQ is preparing for an early resumption of oil exports through the Gulf despite the *continuing war with Iran.*

It has ordered five temporary single-buoy tanker moorings, two of which are scheduled for delivery in Bahrain in June *ready for connection to Iraq's* existing off-shore pipeline, according to Petroleum Intelligence Weekly. They would enable Iraq to resume exports by October at a rate of 700,000-800,000 barrels a day.

The U.S. news letter also says Iraq is discussing with the contractors originally responsible for the construction the repair of its terminals at Mina al Bakr and Khor al Amaya. Both have been badly damaged by Iranian *air attacks.*

As it is, the reopening of the over-land pipeline to the terminal at Tripoli in Lebanon in April should raise the volume of Iraqi exports from the *Mediterranean to 1m b/d in the* near future.

● Kuwait yesterday said it rejected the U.S. rapid deployment force for the defence of the Gulf. "We see no necessity for any superpower military presence in the Gulf region," a *Government minister said.* "Such a presence carries with it the risk of turning the area into an arena for superpower rivalry."

Right gains in S. Africa

BY OUR FOREIGN STAFF

SUPPORT for the ultra-right wing in South Africa has more than doubled in the past 18 months, according to an opinion poll.

The poll, published in the *pro - Government* newspaper Rapport, said that 8.5 per cent of South Africa's white voters support the arch-conservative Herstigte Nasionale Party (HNP) and the National Conservative Party, headed by Dr. Connie Mulder, the former Information Minister.

In September, 1979, only 4.1 per cent supported them.

The HNP, which has no representatives in Parliament is tipped to win at least two seats in next month's General Election.

The poll also *shows a slight* increase in support, from 14.6 per cent to 17.5 per cent, for the Progressive Federal Party, the main Opposition group.

Suzuki calls off meeting

By Richard C. Hanson

MR. ZENO SUZUKI, the Japanese Prime Minister, yesterday declined to receive the Soviet Ambassador to Japan despite efforts by Moscow to improve its links with Tokyo.

The ambassador, Mr. Dmitri Polyanskii, nevertheless received a polite, but firm, reception by *the Foreign Minister,* Mr. Masayoshi Ito, during a long awaited official diplomatic exchange in Tokyo.

Mr. Polyanskii told the Foreign Minister that the Soviet Union wishes to develop its ties with Japan, and intends to build up "confidence" in the Far East generally.

The Russians, however, *refused to recognise Japan's concern* over the issue of Soviet occupation of four islands off northern Hokkaido, which Japan claims as its own. The issue of returning the islands has prevented a complete thaw in relations for more than 30 years.

There had been widespread speculation that Prime Minister Suzuki would in fact meet the Soviet Ambassador after Mr. Ito. When it became clear that the Russians were unwilling to budge on the northern territories issue, it was decided that such a meeting was unnecessary.

Mr. Polyanskii reportedly made no concrete proposals in his verbal message to Mr. Ito, *which called for a broadening* of Soviet-Japanese ties, and a bilateral political dialogue.

Israel attacks U.S.-Saudi aircraft deal

By David Lennon in Tel Aviv

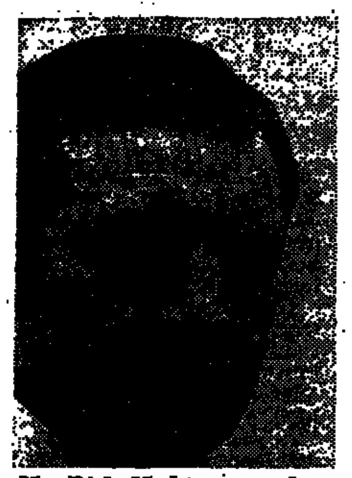
A DECISION of Washington to supply advanced equipment for its F-15 warplanes and possibly sophisticated surveillance aircraft to Saudi Arabia, was attacked yesterday by Mr. Yitzhak Shamir, the Israeli Foreign Minister.

He told the Knesset that if this deal is carried out, it will "cast a cloud" over relations between Jerusalem and Washington and could lead to an explosion in the region.

The possibility that Washington may supply four AWAC *surveillance planes to Saudi* Arabia, led Mr. Mordechai Zippori, the Deputy Defence Minister, to say that these planes would strip Israel naked and expose all its secrets.

Pretoria urges closer links with Washington

BY JUREK MARTIN, U.S. EDITOR, IN WASHINGTON



Mr. Dirk Mudge: goes down well with conservatives

THE LEADER of the South African-backed provisional government in Namibia said here yesterday he was encouraged by the "vibrations" radiating from the Reagan Administration as it shapes new policies for the African continent.

Mr. Dirk Mudge, who is on Washington to see members of Congress and perhaps Administration officials, strongly applauded the staunch anti-communist and anti-terrorist line taken by the U.S. Government.

His presence here, coming on top of the curious visit last week of five South African intelligence officials, is widely seen as part of an attempt by Pretoria further to influence a U.S. Administration which has already shown signs of wanting, for strategic purposes, to ease international pressures on South Africa.

Mr. Mudge's first formal appointment here was a session yesterday with Senator Jesse Helms, the arch conservative Republican from North Carolina, who is expected to take the lead in the weeks ahead to repeal the Congressional embargo on U.S. covert involvement in Angola.

His mission, along with two other black members of the Democratic Turnhalle Alliance (DTA) is strongly reminiscent of that undertaken in 1979 by Bishop Abel Muzorewa, then head of the provisional regime in Rhodesia, in order to rally American support for his position in the pending Zimbabwe independence negotiations.

Mr. Mudge conceded that he had been advised, albeit in what he described as a "very friendly letter" from the State Department, to defer any visit until after the new U.S. African policy had been set. But he felt it important to get his views across while the policy review was under way.

These were that the U.S. should realise that the South-West African People's Party (SWAPO) now operating, he said, with Cuban support from Angola, was bound to ask Cuba and the Soviet Union for support if it ever gained power in Namibia.

The great threats to a free Namibia, he went on, were posed by "Communism and racism." He condemned the five-power initiative as an attempt to impose a racist (i.e., non-white) solution on Namibia: the European nations, he suggested, "want to hand Africa over to the blacks in order to keep Europe white." The Turnhalle Alliance, he claimed, was the epitome of the non-racist movement.

The UN "bias" towards SWAPO, he contended, meant that it could not serve as a referee in the process of supervising Namibian independence unless it broke its ties with SWAPO.

Much of what he said clearly goes down well with resurgent American conservatives and may strike some chords in an Administration inclined to view Southern Africa as principally a battleground in the fight against what it sees as Soviet-engineered and Cuban-led adventurism.

Nevertheless, the Administration clearly was embarrassed in some degree, that the private mission of the South African intelligence officials, ostensibly under the auspices of an ultra-Right-wing lobby, became public knowledge.

The State Department has been unable satisfactorily to explain how it was that the five men were granted visas by the U.S. Embassy in Pretoria in contravention of standard regulations prohibiting such visits by South African military personnel.

BAe bid to assemble new Airbus A-320

BY LYNTON McLAIN IN TOULOUSE

BRITISH AEROSPACE has applied to the European Airbus Industrie consortium to undertake final assembly of the A-320 airliner, the 150-160-seater aircraft which is one of the three new programmes being considered by Airbus Industrie. If the A-320 programme goes ahead, it could possibly be powered by Rolls-Royce engines.

The European group, in which British Aerospace has a 20 per cent stake already, is studying three possible new ventures. One is the 150-160 seat A-320, another is a "stretched" 350-seat version of the present A-300 (the TA-9), while the third is a 200-seat long-range aircraft, the TA-11.

Design work is under way on all three projects, in conjunction with possible launching airlines, but no final decision on which project to undertake first is likely to be taken until later this year.

But limitations on financial resources and productive capacity will mean that Airbus Industrie will not be able to go ahead on all three at the same time, and deciding the priorities between them will be difficult.

Most observers believe, however, that the first choice will lie between the 150-160 seater A-320, and the stretched TA-9 Airbus, with the long-range model coming later.

At the same time it became clear yesterday that Japanese companies, Aeritalia, the Italian aircraft maker, and Fokker of Holland, have all requested to join the Anglo-French-German-Spanish Airbus group.

However, M. Bernard Lathiere, the president of Airbus Industrie, said the future of the $1.5bn development programme for the proposed 150-160-seater A-320 new generation Airbus did not depend on reaching agreement with these potential partners.

A final decision on the site for the assembly work is likely later this year or early near year.

The Bristol works of British Aerospace is the likely choice of site for the assembly of the A-320 if British Aerospace and its partners in Airbus Industrie — Aerospatiale of France, Deutsche Airbus of Germany and CASA of Spain —signal a go-ahead for the project, and can agree to a formula for sharing the development cost.

At the moment, British Aerospace makes for the consortium only wings for both the existing A-300 airbus and the smaller A-310. The final assembly of the A-300 is in Toulouse and the A-310 will also be assembled there.

Argentina buys Soviet nuclear components

By Robert Lindley in Buenos Aires

THE U.S.-SPONSORED embargo on grain shipments to the Soviet Union and the controls which the "atomic club" of nations—especially the U.S.—wants to impose on Argentina's ambitious nuclear programme, has sent Argentina shopping in Russia for atomic energy components.

Five thousand tons of heavy water purchased from the Soviet Union already are in Argentina, and more will be imported from the same source. Argentina is also buying enriched uranium from the Russians for its experimental nuclear reactors.

In view of Argentina's determination to have seven nuclear power stations installed by the end of the century, this overture to the Soviets is probably inevitable. Vice-Admiral Carlos Castro Madero, president of the National Atomic Energy Commission, recently denounced what he called "economic and political interests which are trying by whatever means possible to block both Brazil and Argentina from achieving independent nuclear development."

Argentina is pledged to ship 22.5m tons of grain to Russia over the next four years, and, partly because of the prospect of an all-time record harvest here this year, the amount might be increased by 10m tons for the four-year period.

Argentina's purchases from the Soviet Union of components for its nuclear programme—which already has made Argentina the Latin American nuclear leader—are limited.

But they are likely to become greater if political pressures in Canada and West Germany, suppliers of nuclear know-how to Argentina, increase.

Argentina has opted for natural uranium reactors in its nuclear power plants and, therefore, needs the heavy water as a moderator and cooler.

Moscow-Bonn trade shows increase of 10%

BY DAVID SATTER IN MOSCOW

TRADE BETWEEN the Soviet Union and West Germany increased in value by 10 per cent last year despite the tension in East-West relations.

All principal categories of West German exports increased in value, and the value of West German agricultural exports to the Soviet Union increased more than five-fold.

Figures released by the West German embassy yesterday also showed a slight increase in the value of Soviet exports to West Germany—mostly energy products—compared with 1979. This was despite the fact that the volume of Soviet oil exports last year was believed to have decreased sharply.

Total trade turnover had a value of DM 15.35bn (£3.3bn), a 10 per cent increase over the value of trade in 1979 which was DM 14.02bn.

West Germany, which has not imposed economic sanctions against the Soviet Union, remained the Soviet Union's largest Western trading partner.

West German exports, which have traditionally consisted primarily of equipment and machinery, had a value last year of DM 7.94bn, 20 per cent more than the value of exports in 1979 which was DM 6.62bn. This included rises in the value of finished and semi-finished products which were exported and a sharp rise in the value of agricultural exports last year to a value of DM 682m from only DM 130m in 1979.

The detailed trade statistics showed sharp increase of West German exports to the Soviet Union of butter, meat, sugar, and cereals.

West German imports from the Soviet Union had a value of DM 7.41bn compared with DM 7.40bn in 1979.

West Germany showed a surplus of DM 532m in Soviet trade compared with a deficit of DM 775m in 1979.

West German economic officials said that Soviet exports of natural gas were not down in volume last year compared with 1979.

Ivory Coast contracts for UK

BY MARK WEBSTER

THE WEST AFRICAN state of Ivory Coast has confirmed that British companies including Plessey, are to get more than £200m worth of public works contracts in the next few years.

The contracts are likely to mean a substantial increase in trade between Britain and Ivory Coast, which has one of the best developed economies in black Africa but which has been regarded as a preserve for French business.

The Ivorian Government made it clear that Britain would be given the contracts during a visit by a party of senior British industrialists led by Lord Trefgarne, parliamentary under-secretary of state for trade.

By far the biggest project is the £150m Abidjan airport for which Plessey will be the main contractor. The contract will involve the construction of a runway, terminal building and the installation of aviation equipment.

Plessey has already undertaken a £5m study for a new airport but the project had been delayed by a sharp recession in the Ivorian economy. Falling world prices for its primary exports — coffee and cocoa — have cut government revenues substantially.

But the prospect of large offshore oil deposits have brightened the Ivorian economic horizon. Officials in Abidjan are confident that large-scale public works programmes will go ahead.

No date has been announced for the Plessey project but in the meantime, they will undertake a £10m project for the supply of equipment to the Bouake military airport. Much of the rest of the work will be done by French contractors.

Ivorian officials also confirmed that George Wimpey would be awarded a £15m contract for the construction of a road between Dimbokro and Katobi near the centre of the country.

Sri Lanka deal for Whessoe and Boving

By Mervyn de Silva in Colombo

WHESSOE Heavy Engineering and Boving, both of the UK, have been awarded a Rs 600m (£15.9m) contract to supply and install hydraulic equipment for the Sri Lanka Victoria Dam project.

The UK-aided project is part of the multi-billion dollar Mahaveli irrigation and power scheme, to which the UK provided £100m in aid.

- A £6.7m contract has been awarded to Hawker Siddeley Power Engineering by the Gibraltar Government as part of a £7.29m power station project, Joseph Gareh writes from Gibraltar.

Taylor Woodrow International will act as the civil sub-contractor.

- The minerals and metals division of Davy McKee has signed a $4m (£1.8m) contract with the Dominican Republic Government to design, supply, construct and activate a gold and silver refinery. The refinery is to go into production early in 1982, and will allow the Caribbean nation to produce about 75 tonnes per year of gold and silver bullion.

- Associated Agencies of Manchester has concluded a $2m turnkey supply contract with the Bangladesh Council of Scientific and Industrial Research for a pilot plant for research.

East Germany seeks 'Japan connection'

BY LESLIE COLITT IN LEIPZIG

EAST GERMANY is attempting to establish a "Japanese connection" to counter-balance its reliance on West German trade and technology and Japanese industry has responded by sending top industrialists to the Leipzig Spring Fair, the main East-West trade event.

However, Japanese companies will have a hard time making much of a dent in the 10 per cent of its trade which East Germany conducts with West Germany. All other OECD countries make up another 10 per cent.

Mr. Eishiro Saito, president of Nippon Steel, is heading the Japanese delegation to the fair, where Japanese companies have doubled their exhibits.

The East German Communist Party is plainly fascinated by Japanese industry in much the same way that the West Germans are. In addition, East Germany hopes to enter the micro-electronic era with the help of the Japanese. A large contract to build a television-tube factory in East Germany is expected to be signed during a visit to Japan in May by East Germany's Communist Party leader and Herr Erich Honecker, President.

Herr Honecker, however, has soothed West German fears by assuring a gathering of West German industrialists and Herr Klaus Boelling, the West German permanent representative, that East Germany would not let politics affect their mutual trade. Last year, East-West German trade soared by 19 per cent to DM 11.8bn.

East Germany formally signed a DM 1.6bn contract with Austria's Voeest-Alpine which is to build a converter steelworks at Eisenhuettenstadt.

New group aims to find Ulster peace

By Our U.S. Editor in Washington

A GROUP of leading Irish American politicians yesterday announced the formation of The Friends of Ireland, an organisation designed to promote a peaceful resolution of Ulster's problems.

The annual St. Patrick's Day statement reiterates their belief that Ireland must ultimately be united.

The statement praised the negotiations that have taken place in the past year between Mrs. Thatcher and Mr. Haughey, the two Prime Ministers, and said that any settlement must be peaceful and "achieved by consent."

It condemned violence and welcomed diminished American public support for activities that promoted "terror and brutality."

Signatories to the statement included Senator Edward Kennedy, of Massachusetts; Mr. "Tip" O'Neill, Speaker of the House; Senator Daniel Patrick Moynihan, of New York; and Governor Hugh Carey, of New York.

Quebec Liberals take hard language line

BY ROBERT GIBBENS IN MONTREAL

QUEBEC LIBERALS, hoping to unseat the separatist provincial Government of Mr. Rene Levesque, in next month's election, are taking a hard line on the contentious issue of languages in schools.

They have dropped the proposal of Mr. Claude Ryan, their leader, to permit children of immigrants from English-speaking countries to attend English-language State schools. The Levesque Government restricts admission to these schools to English-speaking children whose parents were resident in Quebec in 1977. All other schoolchildren are taught in French.

The Liberals proposal for the April 13 election would open the English schools to the children of English parents who have come to Quebec from other parts of Canada. They hope to win votes from French-speakers by dropping this requirement for immigrants.

Early polls point to a Liberal victory next month, though officials of Mr. Levesque's Parti quebecois claim that private polls which they have commissioned show an improvement of their position since last autumn. At that time Mr. Levesque was expected to dissolve the National Assembly but drew back.

More banks cut prime

BY DAVID LASCELLES IN NEW YORK

MORE BIG banks lowered their prime rate by ½ a percentage point to 17.5 per cent yesterday, matching last week's move by Chemical Bank of New York. But many banks are also sticking at 18 per cent, apparently anxious not to narrow their margins too quickly.

Among the banks moving yesterday were Chase Manhattan and First National Bank of Chicago. Citibank was expected to follow suit today when it conducts the regular weekly review of its prime rate.

Short-term rates have been easing in the past few days, largely, it seems, because of the slackening pace of the economy.

Early gas price move unlikely

BY PAUL BETTS IN NEW YORK

CONGRESS is unlikely to consider the controversial issue of lifting controls on the prices of natural gas before next year, in spite of President Ronald Reagan's plans to speed up decontrol.

According to Senator James McClure, the Republican chairman of the Senate Energy Committee, the Senate is unlikely to vote on the issue until 1982.

Last month, Mr. James Edwards, the new Energy Secretary, indicated that the Reagan Administration intended to move quickly on gas decontrol as part of a broad policy to encourage more gas exploration and production in the U.S. to reduce foreign oil and gas imports.

One of the first moves the Administration took was to scrap the remaining controls on domestic oil prices. But in recent weeks, Senator McClure said, there had been an increasing number of "ambiguous signals" about the Administration's plans for gas decontrol.

He suggested there were doubts on whether the Administration would make a strong case for decontrol this year.

Unlike decontrol of domestic oil, the gas issue is provoking not only divisions between oil industry groups and gas consumers, like the financially hard-pressed utilities and some large chemical companies, but also between gas-producing states and states with no gas resources of their own.

Moreover, decontrol of natural gas could have a sizeable impact on the consumer price index at a time when the Administration is trying to reduce inflation.

UK's oldest aid office overseas to close

BY ANTHONY McDERMOTT, RECENTLY IN AMMAN

BRITAIN'S oldest aid office overseas, the Middle East Development Division (MEDD) in Amman is to close at the end of the month.

Already its considerable library has been broken up and distributed to Jordanian institutions—a sad end to an office which was set up in Cairo in 1946. It moved to Beirut in 1952, and then to Amman in 1975 because of the Lebanese civil war.

In 1980-81, MEDD handled capital aid and technical co-operation totalling £74m or about 8 per cent of all UK overseas assistance.

MEDD's writ covers the Arab world east of Libya as well as Cyprus, Iran and Turkey. The main MEDD recipients were Turkey with £33m, Sudan £22m and Egypt £11m.

Under the new arrangements, MEDD's duties will be taken over in London by the Overseas Development Administration (ODA), a section of the Foreign and Commonwealth Office. Responsibility for Sudan will be transferred to one of the remaining development divisions in Nairobi which is responsible for East Africa. Other divisions cover the Caribbean, Southeast Asia and Southern Africa.

The essential function of these offices is to give advice and support to the ODA and diplomatic missions on the details of aid for recipients in their areas, and to provide consultancy services and technical assistance to local governments.

The closure of MEDD in Amman reflects the Conservative Government's philosophy of cutting public expenditure. But given the annual sum involved £200,000 a year according to MEDD sources (including travel and salaries), compared with the size of aid disbursed this would seem penny-pinching.

Another reason given for MEDD's closure is that it is the closest such office to London and that, therefore, savings could be made on travel. Yet consideration is being given to restoring the number of development offices to five by opening a new office for the Pacific.

The closure also reflects the feeling that aid programmes for the Middle East can be run from London with only minimal loss of effectiveness. An influence has been the view that aid for the Arab World is less pressing than elsewhere because of oil wealth.

This is seen as questionable, not only because of the poverty and lack of development of some Arab states, but also because Gulf States for example, need technical assistance. In either case the basing of staff in London will mean a loss of important day-to-day personal contact.

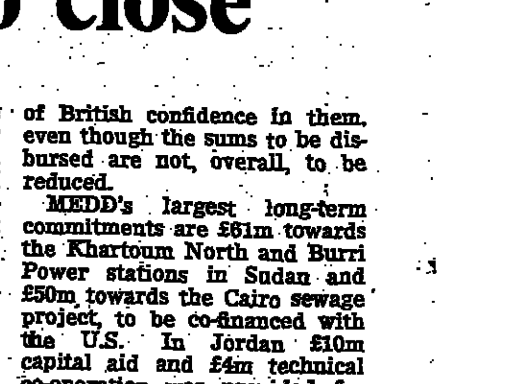
Inevitably the transfer of MEDD is being seen by Governments in the area as a reduction of British confidence in them, even though the sums to be disbursed are not, overall, to be reduced.

MEDD's largest long-term commitments are £61m towards the Khartoum North and Burri Power stations in Sudan and £50m towards the Cairo sewage project, to be co-financed with the U.S. In Jordan £10m capital aid and £4m technical co-operation was provided for the 1976-80 plan, and slightly less capital aid has been earmarked for the 1981-85 plan.

MEDD has been looking around to identify projects for aid, an activity the ODA will find harder to do here or elsewhere in the area once MEDD, after 35 years, has been brought back to London.

Bahamians are worried about growing competition to their offshore banking industry, writes **Paul Betts**, recently in Nassau

Nassau steels itself for an exodus of Eurodollar business



"IST BESSER in Den Bahamas." The popular Bahamian promotional slogan—"It's better in the Bahamas"—was scrawled in German across the front of a Swiss visitor's canary T-shirt. Sipping a long colourful drink on Nassau's famed Cable Beach, he remarked how increasingly attractive the Bahamas had become for Swiss banks.

As political and economic anxieties have grown in Europe, even in sheltered Switzerland, the numbers of Swiss bank branches and subsidiaries opening in the Bahamas have increased sharply. At the latest count, nearly 30 Swiss banks have expanded their operations to the Bahamas, particularly in the trust account business.

But despite the new Swiss business, the Bahamian authorities are beginning to worry about the offshore banking industry's future. The Bahamas are now facing rising competition, not only from such other Caribbean offshore banking centres as the Caymans, Curacao, Panama and most recently Barbados, but also from the U.S.

Indeed, the biggest threat is likely to come from the U.S. Neighbouring Florida is already attempting to establish itself as a leading international banking centre in the U.S. Other states —including Delaware, which is advertising itself as becoming "the Luxembourg of the U.S.", Maine and South Dakota—have opened their doors to interstate banking. And now New York, in what is likely to become the biggest challenge of all, is expected to open its own free banking zone later this year.

Barring unforseeable delays, the Federal Reserve Board is expected to give U.S. banks the go-ahead next October to set up special international banking facilities (IBFs) on U.S. territory. New York state has already endorsed the proposal, which will free New York banks from all local and state taxes and from U.S. banking regulations for all new non-resident transactions conducted by the IBFs. This, according to Mr. Robert Hill, a senior vice-president of Morgan Guaranty Trust, will inevitably mean that the large New York banks will bring back much of their Eurolending business done through offshore shell branches in the Bahamas.

Although Mr. William Allen, the new governor of the Bahamian Central Bank, says the challenge from New York so far is "more apparent than real," he did not disguise his concern. "New York clearly poses a threat. But at present we are more worried by Miami. In any event, a big hole could be knocked in our offshore banking business as we know it today. And we are well aware of the need to respond to a changing situation," he said.

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During the past 10 years, the Bahamas have grown into the largest Eurolending centre after London. Mr. Allen estimates that the Eurodollar loan portfolios of the more than 300 banks in the Bahamas now amount to about $85bn. Precise figures are not available because the Central Bank has so far not examined the offshore bank branches' books, a move which might provoke considerable concern. In any event, nearly half that total involves business by the big New York banks, which have used the Bahamas as their main Eurolending centre for the Western hemisphere.

The main attractions the Bahamas offered were a convenient location on the same time zone as New York, no income tax and a generally accommodating government in one of the Caribbean's most politically stable areas. But apart from the incentives New York will soon be offering, recent developments in the Bahamas have also begun to worry foreign bankers. Serious economic problems are beginning to surface, coupled with growing social pressures including, in particular, severe youth unemployment. Elections are to be held within the next 12 months, and although Mr. Lynden Pindling, the Prime Minister who led the country to independence from Britain eight years ago, has no real opposition to speak of, his Progressive Liberal Government has been facing a major wave of unpopularity.

Foreign bankers have been worried lately by talk of new taxes, although Mr. Allen categorically ruled out that the Government would introduce income tax. The bankers have also been worried by recent land legislation, which has made it extremely difficult for banks to own Bahamian property. They are concerned too by the Government's policy of so-called "Bahamisation," aimed at encouraging banks to employ Bahamians in senior management positions. As one U.S. banker, who preferred not to be named, put it: "As long as the banking industry is confident over the political stability of the Bahamas and as long as there are adequate incentives, the Bahamas will retain their position as an international financial centre. But the big banks would not think twice to move out to other neighbouring offshore centres if they really got worried."

In recent weeks the Nassau authorities appear to have got the message. They are already talking of revising the Land Bill. They have tightened their bank secrecy regulations to attract more trust business, not only from Europe, but especially from Latin America. And, in view of the possible loss of Eurodollar business to New York, Mr. Allen said the Central Bank and the Government were taking a longer-term look at other possible areas to develop the Bahamas as a financial centre.

"We have examined the idea of an offshore stock exchange, a commodity exchange based in Nassau, and the possibility of developing the Bahamas as a foreign exchange centre," he said. But the Central Bank governor and New York bankers are still doubtful that such exchanges can be developed in Nassau in the short term at least.

There has recently been an attempt to launch a Nassau certificate of deposit. Both Morgan Guaranty and Citibank issued certificates of deposit for the first time last year, through their Nassau branches, carrying negotiable receipts in New York which can be traded in the New York money market. But so far this novel financing has not taken off, largely because of the competition from the combination of short-term investment instruments available in the New York market.

Perhaps the most promising area for the Bahamas, according to the Central Bank governor, is the captive insurance industry. At present, the largest captive insurance centre in the world after London and New York is Bermuda. But Bermuda has become saturated with captives —offshore insurance subsidiaries formed by large companies to underwrite their own insurance and reap some of the profits insurance companies make from them. And although the Caymans have developed a large captive insurance business, the Bahamas, with the right incentives, could well cash in.

"Much of the Eurodollar business is likely to return to New York," one Nassau-based U.S. banker said. "What we are now advising the Bahamian authorities to do is to concentrate their promotional efforts outside the U.S.—to look for business, especially trust accounts, in Latin America and Europe and to develop other financial instruments." And already the Bahamas appear to be moving along these lines. As Mr. Allen put it: "It is crucial for the Bahamas to remain an important financial centre." For while banking brings in only about 7 per cent of the annual national income, it is offshore banking, with tourism, which has helped the Bahamas to develop crucial infrastructure, communications and telecommunications.

"Other countries, like Barbados, are now realising the indirect benefits of offshore banking. And we will now have to compete against those countries as well as the IBFS," the governor said.

NIGERIA

Nigeria's Fourth National Development Plan

NIGERIA, *a Country which came into formal existence in* 1914 with the amalgamation of the Northern and Southern British Protectorates, is obviously one of Africa's foremost nations. Occupying a land area of 913,072.64 square kilometres of West Africa. Nigeria is also Africa's most populous nation. With a population of more than 80 million people, it is larger than any country in Western Europe. One of every four Africans is a Nigerian.

In a world economy that is basically reliant on oil, Nigeria's economic and strategic importance is enormous. Nigeria is the world's sixth largest exporter of crude oil. She earns from oil alone nearly £25 million every day. As black Africa's wealthiest nation, she has a total gross national product that is roughly one third of the other 47 black African Nations combined and about equal to that of South Africa.

Apart from oil, Nigeria is endowed with a lot of other mineral and natural resources including uranium, coal, tin, salt, groundnut, rubber, palm produce etc.

Increasingly, Nigeria's wealth and position has immensely enhanced her political and strategic importance in Africa and world politics. A strong member of the Organisation of Petroleum Exporting Countries, a pioneer and stabilizing force in the Organisation of African Unity, a member of the British Commonwealth of Nations, a dynamic member of the Non-Aligned Nations, a co-founder of the Economic Community of West African States. Nigeria is slowly but assuredly emerging as a major factor in the global power calculus.

Since 1960, when Nigeria gained her independence, her political system has been disrupted four times, starting off with a Westminster type in 1960, Nigeria was among the first African Countries to witness a coup detat in 1966. *Since 1966 there* has been three counter coups including an unsuccessful one which nevertheless resulted in the death of General Murtala Mohammed, Nigeria's Head of State, in 1975.

Nigeria's *military men however, voluntarily relinquished* power in October 1979 and returned the country to a democratically elected Government fashioned after the United States political system. Significantly, Nigeria became the first African Country where without public persuasion or mass insurrection, the military voluntarily quit politics. Nigeria thus in 1979 became the world's fourth largest democracy.

At the head of this democracy is a 55-year-old politician, President Alhaji Shehu Shagari. Quiet, unassuming and resolute. President Shagari has won the respect and admiration of Nigerians by moving cautiously and sensibly. Irrevocably committed to the promotion of National Unity and the sustenance of Nigeria's new political system. Nigeria's new President *has through his personal demeanour, style of government and* utterances unleashed from crowded cities to desert villages, a new sense of nationalism and confidence in the future of Nigeria.

Far more important is President Shagari's commitment to the economic development of his people. As his party's symbol depicts, his economic goals are directed at the provision of the basic necessities of life—food and shelter. His Government runs a gigantic Green Revolution Programme aimed at boosting local production of food.

Amendments have been made in the Enterprises Promotion Act *to liberalise foreign participation in agricultural processing* and production.

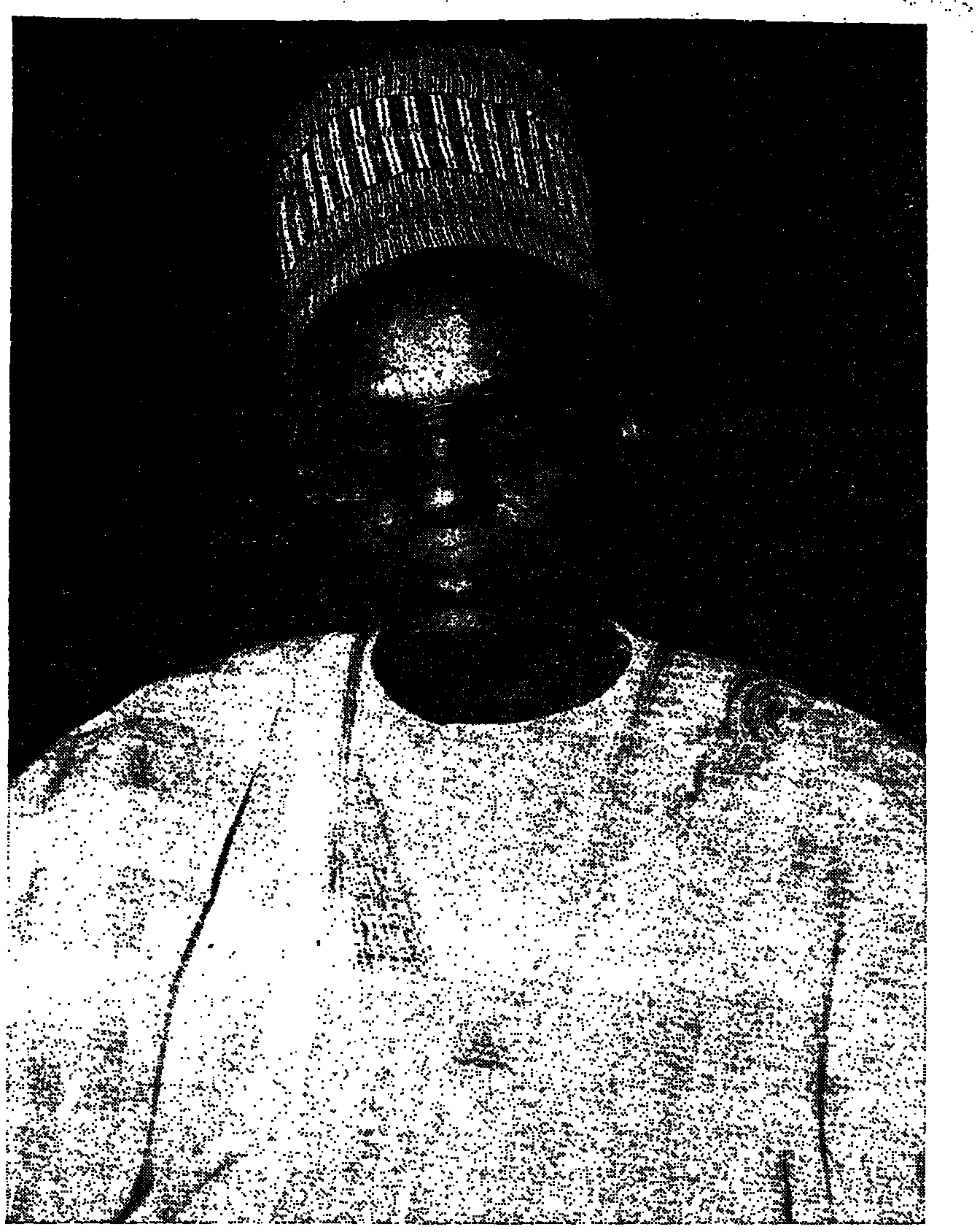
In the field of Housing, President Shagari's Government is engaged in rural housing development in order to erect *meaningful infrastructural basis for economic development.* The industrial policy is ambitious and aims at effective utilisation of Nigeria's abundant resources. By 1981, Nigeria's Iron and Steel Plant will be ready. A fourth Refinery is being planned in Nigeria. Erection of a liquefied National Gas Plant is a major priority of President Shagari's programme. All over the country, Agro-Allied Industries are seriously encouraged and promoted. Two finance banks, the Nigerian Industrial Development Bank and the Nigerian Bank for Commerce and *Industry are seriously funded to promote local industrial* financing.

A basic health service scheme aimed at the provision of primary health care is accorded high priority in President *Shagari's fourth National Development Plan.*

An educational programme predicated on the inclusion of relevant vocational and technical skills in response to the needs of the economy is vigorously being pursued. All new Universities in Nigeria are now *Universities of Technology and next* year secondary education in Nigeria will be two tier in order to make room for the inclusion of vocational courses.

In the promotion of Nigeria's foreign policy, President *Shagari's Government has made a serious impact in international* politics. Addressing the 35th regular session of the United Nations in New York in October 1980, President Shagari said, "Half a millenium of colonial rule by European powers did not succeed in destroying our self-image as Africans. Nor did it quench our thirst to be free, to be respected and to develop our resources for the good of our people. In the past twenty years, over forty African countries have regained their freedom and independence. Through all the tensions and conflicts of the *past twenty years, no independent African country has lost its* independence. More are yearning to be free. And they will soon be free and independent. Namibia and South Africa are already waiting in the wings. They decidedly will soon be free. The message is clear. Never again will Africa be colonised. Never again will Africans tolerate living under racist domination and exploitation."

This speech clearly illustrates the centrepiece of Nigeria's foreign policy—the total liberation of all colonised parts of Africa. As President Shagari sees it "Nigeria's destiny is inextricably linked with the fortunes of all countries of Africa and all the peoples of African descent abroad. As a result, Nigeria must continue to vigorously strive for the restoration of the rights and dignity of the blackman everywhere who for too long has suffered humiliation and discrimination."



ALHAJI SHEHU SHAGARI
President of the Federal Republic of Nigeria

PROFILE:

Alhaji Shehu Shagari is 55 years old and was born at Shagari village, Sokoto State, in May 1925. At the age of four years, Shehu was enrolled in a Koranic school and two years later, at age six, started elementary school in Yabo.

In 1935 young Shehu entered the Sokoto Middle School and in 1941, the Kaduna College, now Barewa College, Zaria. On completion of his secondary education in 1944, Shehu was trained as a science teacher and returned to his old school, *Sokoto Middle School, as science master in 1945.*

Thus began Shehu Shagari's teaching career which spanned 14 years. During this period he became headmaster of a senior primary school in Argungu in 1951. In 1952 he was posted back *to Sokoto as senior visiting teacher for all primary schools in* Sokoto Province. In 1953 Shehu Shagari attended the Bauchi Teachers College and a further course in education in the United Kingdom.

It was also in 1945, as a teacher, that Shehu Shagari started his political career, when he founded the Youth Social Council which organized the youth against the British colonialists.

In 1949, while attending a teachers' refresher course in Zaria, Shehu Shagari met and associated himself with Alhaji Aminu Kano, headmaster of the Maru Teachers Training College, who was promoting an association called the Northern Teachers Association. Alhaji Aminu Kano also persuaded Shehu to join another organization known as the Northern Peoples Congress, a cultural organization, which was to become the political party, the N.P.C.

One of the four groups which formed the N.P.C. then, the Northern Elements Progressive Association (N.E.P.A.), later *broke away and became the Northern Elements Progressive* Union (N.E.P.U.), the political party led by Alhaji Aminu Kano.

It was in 1952 that the late Prime Minister, Alhaji Abubakar Tafawa Balewa, and the Sardauna of Sokoto, Alhaji Ahmadu Bello, *joined the N.P.C. and assumed its leadership.*

Shehu Shagari took part in all the conferences connected with the Richards Constitution and the Macpherson Constitution and in 1952 contested the Federal Parliamentary elections and represented Sokoto West in the House of Representatives. At the same time he served as a member of the Federal Scholarship Board from 1954-58.

In 1958 Shehu attended a Parliamentary course at Westminster, London, and on his return was made Parliamentary Secretary to the Prime Minister.

The first of Alhaji Shehu Shagari's many ministerial appointments was made in the same year when he became acting Federal Minister of Commerce and Industries.

Shehu was re-elected to the Federal Parliament in 1959 and was immediately appointed the first Federal Minister of Economic Development. During his time at the Ministry the Kainji Dam Project was established.

On Independence Day, October 1, 1960, Alhaji Shehu Shagari was appointed Minister of Pensions. He immediately began the Nigerianization of the Civil Service. In 1962 Shehu Shagari was appointed Federal Minister of Internal Affairs, where he introduced the Citizenship Act and revised the Immigration Laws.

In 1964 he acted as Federal Minister of Health and in 1965, became Minister of Works. He was in this Ministry when the January 1966 military coup took place.

Shehu Shagari then retired to his 400-acre farm in Shagari village and devoted himself to farming and voluntary educational work. In two years he established 110 primary schools and three secondary schools in Sokoto.

He re-emerged into public life in 1967 as a member of the Consultative Committee in the Northern Group of Provinces.

In 1968 he became Commissioner for Establishments in the new North Western State Government. In 1970 he was back in the Federal Cabinet having been invited to become the Commissioner for Economic Development, Rehabilitation and Reconstruction, in which position he played a key role in the *great rehabilitation effort in the war-affected areas.* He also acted briefly as Commissioner for Information and Labour.

In 1971 he headed a special mission to Uganda and Tanzania when Nigeria acted as mediator in the conflict between those two countries.

In 1971 Shehu Shagari was appointed Federal Commissioner for Finance in succession to Chief Obafemi Awolowo. During this time he became a Governor of the World Bank and the *International Monetary Fund. He was also* a member of the Committee of Twenty of the I.M.F. where he worked with such eminent experts as Valery Giscard d'Estaing (now President of France), who was then Minister of France.

At the time he left the Government, just before the 1975 coup, the finances of the country were in sound shape and Nigeria enjoyed international respect as a rich developing country.

Shehu Shagari, who had become a councillor in Sokoto, declined an invitation from the Head of State, General Murtala Mohammed, *to serve in his post-coup administration*, but was named by the Government as Chairman of Peugeot Automobile Nigeria Limited.

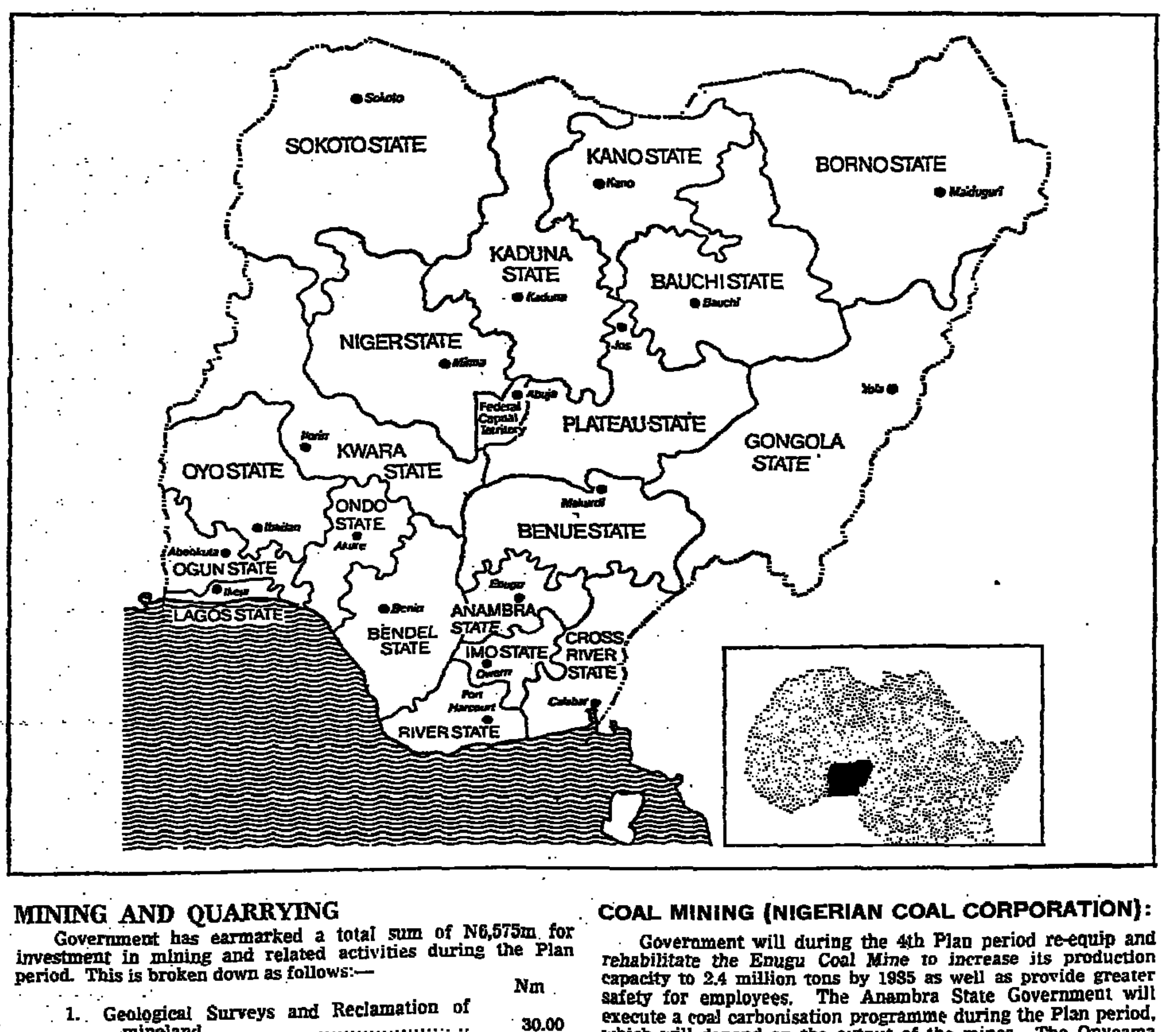
Shehu Shagari contested successfully the Local Government elections in Yabo, and also won a seat in the Constituent Assembly, *where he played a key role in the deliberations.*

He was one of the foundation members of the National Movement which developed into the National Party of Nigeria.

Alhaji Shehu Shagari was awarded an Honorary Doctor of Laws Degree by the Ahmadu Bello University in 1976, in recognition of his sterling service to the Nation and his contributions to education and learning. Shehu Shagari is also a distinguished Hausa poet and has written several works, two of which have been published: "*Wakar Nigeria,*" a poem about the history and geography of Nigeria, and "*Shehu Usman Dan-Fodio: Ideas and Ideals of his Leadership.*" Alhaji Shehu Shagari, the teacher, poet, farmer, administrator and politician, is perhaps the one politician in Nigeria who has been longest in Government—22 years (1958-80)—and who has served in almost all Federal Ministries and on boards of Corporations. *He has emerged untouched through coups, counter-coups and* enquiries and probes.

Alhaji Shehu Shagari was chosen by the National Party of Nigeria as the candidate for the 1979 Presidential election in December 1978.

Alhaji Shehu Shagari was elected first Executive President of Nigeria in August 1979. He was sworn into office on October 1, 1979.



MINING AND QUARRYING

Government has earmarked a total sum of N6,575m for investment in mining and related activities during the Plan period. This is broken down as follows:—

		Nm
1.	Geological Surveys and Reclamation of mineland	30.00
2.	Nigerian Coal Corporation	60.00
	(of which Okaba Company)	(20.00)
3.	Nigerian Mining Corporation	20.00
4.	Associated Ores Mining Corporation	150.00
5.	*Nigerian National Petroleum* Corporation	6,215.00
	TOTAL	=N6,575.00

These figures exclude mining activities that are included in the manufacturing sector programme such as bitumen extraction, prospecting for salt and phosphate rock, etc.

GEOLOGICAL SURVEYS

The major programmes to be embarked upon include intensive investigation for minerals such as phosphate, bauxite, etc., exploration for gold, lead-zinc, and prospecting for copper, molybdenum, tungsten, etc. These will be carried out through airborne surveys, and *geological and geochemical* methods. A second key project is the reclamation of mineland to which about N4m is allocated.

NIGERIAN MINING AND METALLURGICAL INSTITUTE

A sum of N8.00 million has been earmarked for the establishment of an institute to absorb the existing mining Institute and the Metallurgical laboratory.

COAL MINING (NIGERIAN COAL CORPORATION):

Government will during the 4th Plan period re-equip and *rehabilitate the Enugu Coal Mine to increase its production* capacity to 2.4 million tons by 1985 as well as provide greater safety for employees. The Anambra State Government will execute a coal carbonisation programme during the Plan period, which will depend on the output of the mines. The Onyeama and Okpara mines will be provided with about 39.6 kilometres of underground tunnel while arrangements will be made to install independent power supply facilities at the Enugu mines. An allocation of N4 million has been made towards power supply to solve the perennial power problem *facing the coal mine.*

Mining activities will be expanded in the Okaba area. These will include the processing of coal into tar, coke and other by-products.

NIGERIAN MINING CORPORATION:

The Corporation will be provided with additional infrastructural facilities to enhance its status and performance. Apart from promoting government participation in solid-mineral mining, the corporation will concentrate on providing support materials to the construction industry. To this end, the corporation will emphasise the production of clay *bricks for* use in the government housing programme, refractory bricks for use in cement plants, iron and steel, and mining industries, and production of lime, among others, for the agricultural and construction sectors in general. The projects of the corporation are of high priority given their close link with other economic activities of Government. A total of N120 million is earmarked for the execution of the programmes of the Corporation. Some of the projects include:—

1. **Clay Bricks and Allied Industries**
   The project for which N40.00 million has been allocated involves the establishment of clay brick plants with *production capacity of between 15-20 million* standard bricks per annum in some selected locations in the country
2. **Sokoto Refractory**
   A refractory plant is to be established at Sokoto to produce heat resistant bricks for the lining of the interior of the kiln of brickworks, ceramic plants, cement plants, smelting plants and steel furnaces. The plant is expected to produce about 14,000 tonnes of refractory bricks annually. An allocation of N10.00 million has been made for the project.
3. **Participation in other existing Mining Companies**
   An allocation of N10.00 million has been made for increasing the Corporation's equity participation in the mining companies in which equity shares have been purchased in fulfilment of the Enterprises Promotion Decree.
4. **Jakura Lime Plant**
   The sum of N14.00 million will be invested in the plant which is designed to produce, fluxing materials for use in the steel furnaces and in agriculture, road and housing construction. *The output envisaged from* the plant would range between 600 and 800 tonnes per day.
5. **Participation in the Nigerian Uranium Company (NUMCO)**
   An allocation of N10.00 million has been made for the purchase of 60 per cent shares in NUMCO which is responsible for the exploitation of Uranium deposits in Gombe and other parts of the country.

PRESERVATION OF MINES:

It is not the intention of government to mine minerals which will be of very high demand in future but which have no immediate high domestic use. Such minerals will therefore be kept under surveillance and arrangements will be made to facilitate their exploitation in the future when the situation *would warrant it. The Ririwari mines and the Ameri lead and* zinc mines will therefore be prepared and kept in a state of readiness for exploitation during the Plan period.

IRON ORE AND COKING COAL:

The Associated Ores Mining Company will commence mining of iron ore on the Itakpe hills very early in the Plan period to provide raw materials for the iron and steel complexes at Ajaokuta and Warri. It is envisaged that about 7.28 million tonnes of iron ore will be produced per annum to meet the requirements of the two plants. Intensive investigation will continue on the coking coal inseam at Lafia/Obi with a view to exploiting sufficient quantities to meet the needs of the Ajaokuta Steel Complex which is based on blast furnace method.

The desirability of establishing a mining township at Itakpe hill will be investigated early in the Plan period as activities gather momentum at the mine site. A total of N150 million has been allocated to finance the programme approved for the sub-sector which is of high priority to government in light of the tempo of activities at the two iron and steel complexes.

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NIGERIA

PROGRAMMES OF THE NIGERIAN NATIONAL PETROLEUM CORPORATION (NNPC)

(i) **Direct Exploration Activities**

A total of N750 million has been earmarked for the direct exploration activities of the NNPC. Government attaches high priority to this activity as it provides the greatest opportunity for rapid acquisition of technological know-how related to oil exploration and exploitation. Compared with the N270 million allocated to this activity during the Third Plan period, the present allocation is both a reflection of the new capability of the NNPC and the importance which government attaches to NNPC's direct exploration activities. Most of the activities will centre around the Niger Delta, Anambra and Chad basins. It is expected that the NNPC will produce about 53,000 barrels per day from its operations by 1985.

(ii) **Joint Venture Activities**

The Joint venture capital funding arrangements with oil producing companies will be continued so long as it is in the national interest to do so. The scheme will be kept under continuous review vis-à-vis other options open to Government. A total allocation of N3,000 million has been earmarked towards capital funding of joint venture activities during the Plan period. These involve the activities of Shell, Agip, Gulf, Mobil, Elf, Texaco and Pan Ocean Companies and acquisition of 60 per cent interest shares in Tenneco and Phillips. The allocation excludes obligations from production sharing arrangements with exploration companies that may discover oil during the Plan period and have the option to defray their capital costs by taking oil in lieu.

(iii) **Gas Supplies to Industries**

In order to put the country's gas resources to effective and economic use, supply to industries will be substantially increased during the Plan period. To this end a total sum of N800 million has been allocated for gas supplies to NEPA, the fertilizer project, the petrochemical and the iron and steel projects as well as other projects, either to serve as fuel or feed stock. A total income of about N353m will be realised from this activity during the Plan period. A total supply of about 33.78m cubic feet is envisaged. Portable gas will also be supplied to smaller industries as well as to domestic users.

(iv) **Refineries**

To meet urgently the growing demand for refined products in the country, capital improvements will be carried out on the Warri and Kaduna refineries to enable them to raise their daily production capacity from 100,000 to 120,000 barrels per day. Given the age of the Port Harcourt refinery, only routine maintenance is provided for to keep it in production. A new refinery will be constructed with a capacity of 200,000 tons per day during the Plan period. This will be the largest refinery the country has so far had and will ensure that the country is able to maintain self-sufficiency in the supply of refined products. The total refinery programme has been estimated to cost about N1.5 billion with the government contributing about N500 million from treasury sources.

(v) **Petrochemical Projects**

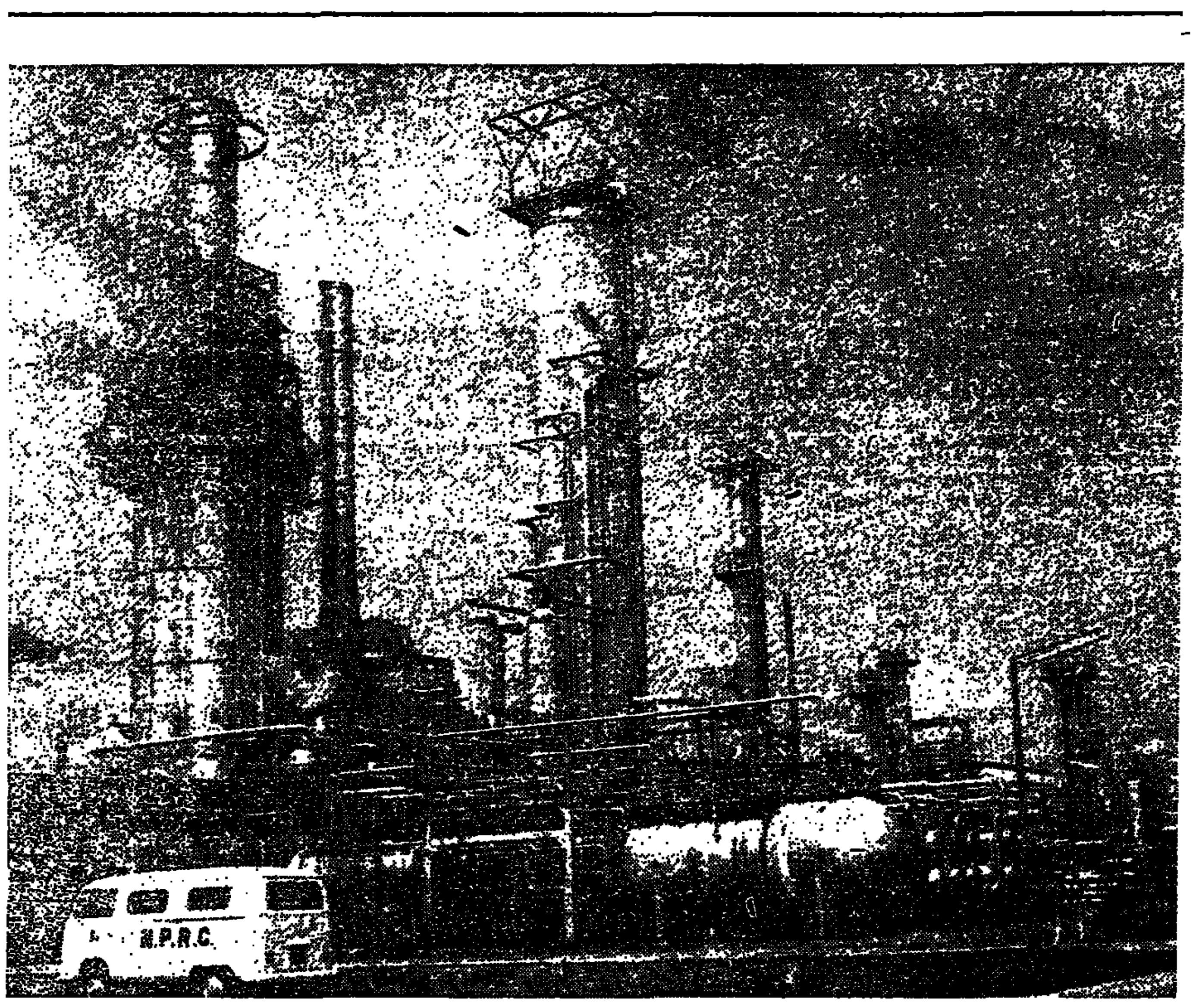
Apart from the petrochemical plants that will be attached to the Kaduna and Warri refineries, to produce lab, benzene, solvent, carbon black and polypropylene, a separate petrochemical complex will be constructed to produce basic materials for the production of plastics, synthetic fibres, detergents, chemicals and solvents required by the agricultural, building, textile, electrical and pharmaceutical industries. The phase I project will cost about N112.640 million while the phase II will cost about N1.14 billion out of which the government will contribute about N450 million from treasury sources. A sum of N10 million is also allocated towards preparatory work for the implementation of a phase III project during the 5th National Development Plan.

(vi) **L.N.G.**

This project which is expected to cost about N3,000 million to implement is considered rather too gigantic to be implemented alongside the other major projects to be executed during the Fourth Plan period. Government however remains committed to the implementation of the project and will vigorously pursue its execution in co-operation with the private sector and financing institutions. A sum of N300 million has been allocated to enable the execution of the project to be commenced by 1984 during which time the iron and steel projects might have been commissioned, and the other major petro-based projects should have reached advanced stages of implementation.

(vii) **Tanker Subsidiary**

Because of the need to import crude oil from Venezuela and Kuwait for the Kaduna refinery, the necessity to equip the NNPC tanker fleet became urgent during the course of the Third Plan period. The demand for crude oil and petroleum transportation justify the establishment of a tanker subsidiary. Provision has therefore been made for the acquisition of three new vessels in addition to the existing stock and others which may be chartered. A modest provision is also approved for the acquisition of coastal vessels.



Nigeria's first oil refinery at Eleme, near Port Harcourt

COMMERCE AND FINANCE

This sector embraces activities such as distributive trade, exports and imports, banking and insurance, tourism, hotel development and provision of markets, shopping centres, etc. The main objective of policy is to strengthen the sector so that it can respond effectively to the demands of rapid economic growth and development without claiming a disproportionate share of national investment. The bulk of investment expected in the sector will have come from the private sector with the government providing the necessary policy guidelines and those infrastructural facilities which the private sector is ill equipped to provide.

BANKING:

The banking system of the country will continue to be encouraged and guided to respond to the challenges of national development. Apart from acting as agent for mobilisation of savings, banking institutions will be expected to play more dynamic role in the area of stimulation of investment, and channelling of such investment to priority sectors of the economy. Credit guidelines that reflect the priorities of the nation will be issued and the banking system will be expected to co-operate in ensuring that the set targets and credit mix are achieved. With an investment plan of N12 billion earmarked for the private sector and the level of internal borrowing envisaged for the public sector, the banking system cannot but get itself geared up to the major challenges that will face it during the Plan period. The branch and rural banking programme embarked upon during the 3rd Plan period will continue and areas that can sustain banks will be provided with such facilities.

EXTERNAL TRADE:

During the past decade, the contribution of non-petroleum exports to total exports declined very significantly. Efforts will be made to reverse the declining trend not only by pushing the production of raw materials for exports but diversifying into exports of processed and manufactured goods. Government will pursue a vigorous policy of promoting the sale of made-in-Nigeria products abroad during the Plan period. This will be done largely through the implementation of the programmes of the Export Promotion Council. Apart from giving direct incentives, financial and other forms of support to prospective exporters, efforts will be stepped up to provide essential information on foreign markets particularly within the ECOWAS region, for the sale of made-in-Nigeria goods.

BRIEF ON TRADE BETWEEN NIGERIA AND THE UNITED KINGDOM: 1972-1979

The United Kingdom remains one of Nigeria's major trading partners in the world when the total value of trade and range of commodities exchanged between the two countries are taken into consideration.

2. SUMMARY OF NIGERIA'S TRADE WITH UNITED KINGDOM

(N million)

Trade	Exports	Imports	Bal. of Trade	Vol. of Trade
1972	301.0	292.0	+9.0	594.0
1973	424.8	331.6	+93.1	756.4
1974	977.1	402.2	+574.9	1,379.3
1975	696.4	855.0	−158.6	1,551.4
1976	703.2	1,197.0	−1,195.6	1,198.4
1977	617.5	1,563.7	−946.2	2,181.2
1978	405.3	1,785.1	−1,379.8	2,190.4
1979	518.5	5,527.0	+8.5	1,045.5

SOURCES: (1) Nigeria Trade Summary, 1972-1978 (December Issues).
(2) Federal Office of Statistics Trade Tabulation for 1979 (Jan.-July).

NOTE: Exports include Re-Exports.

IMPORT LICENSING:

The import licensing policy which has been in operation for many years has generated a lot of public concern and controversy in recent times. It must be pointed out however that for developing countries to achieve rapid levels of development, their economies must provide conducive environment for nurturing viable infant industries and other key economic activities necessary for self-reliant growth and development. It is clear that no economy can develop on the basis of perpetual dependence on foreign sources for supply of her basic needs. In order to develop a self reliant economy, it is necessary to promote the development of those industries and other activities in which the country possesses long term comparative advantage. Furthermore a country that is seriously engaged in efforts to develop her economy can not afford to dissipate its limited foreign exchange resources. There has to be a deliberate attempt to rationalise the use of foreign exchange in such a way as to give greater emphasis to importation of capital and intermediate goods required for development.

EXPORT PROMOTING COUNCIL:

The major capital programmes of the Export Promotion Council comprise the Export Development Fund, the Export Credit Guarantee Fund and establishment of proper network for dissemination of trade information. The other projects consist of studies and harmonisation of Nigerian trade documents with the United Nations system.

EXPORT DEVELOPMENT FUND:

The export development fund is designed to encourage the private sector to explore market possibilities abroad. The programme involves granting of subsidies on selective basis on costs incurred by enterprises in their efforts to secure foreign markets for their products. A sum of N1 million is earmarked for the programme.

THE EXPORT CREDIT GUARANTEE SCHEME:

The export credit guarantee fund is meant to provide insurance cover to exporters for risk that cannot be covered by traditional insurance business. An allocation of N4 million is earmarked for this essential service that will encourage our businessmen to take up the challenge with less inhibition.

ESTABLISHMENT OF PERMANENT SHOWROOMS ABROAD AND A NATIONAL TRADE INFORMATION NETWORK:

The establishment of a national trade information network and mounting of permanent showrooms in selected Nigeria missions abroad are meant to facilitate contact between producers and potential consumers through information and product exhibition. A sum of about N3.5 million is earmarked for this purpose.

OFFICE ACCOMMODATION

The Headquarters programme consists mainly of on-going projects. A sum of N1 million is earmarked for the construction of headquarters offices and training school for the weights and measures department while N1 million is allocated for the completion of the Federal School of Product Technology equipped with good laboratories. Construction of offices at the Delta ports, particularly Warri, Burutu and Port Harcourt will also be undertaken at an estimated cost of N1.5 million.

HOTEL DEVELOPMENT:

Allocation under this programme reflects the amount which the government has approved for lending to the various Hotel Developers for the purpose of implementing the programme approved for them. The various Hotel organisations are expected to supplement government's allocation with their internally generated revenues and loans from both national and international financial institutions.

(1) Durbar Hotel, Kaduna.—An allocation of N40 million is approved for the management of the Durbar Hotel organisation in Kaduna to build a first class hotel (not less than four star rating) and comprising of at least 400 bedrooms at Abuja to meet the expected demand for such accommodation at the new federal capital.

(2) Nigeria Hotel Limited.—A total sum of about N33 million is approved for the NHL to implement the expansion programme. The programme also provides for participation in other hotels that have invited the NHL to participate in their businesses on a purely commercial basis. N2.5 million out of the allocation is specifically earmarked for manpower development and training for staff of the company. Federal Palace Hotel.—A sum of N50 million is allocated for the renovation of the old wing of the Hotel which is becoming incompatible with the suites hotel that stands by it. A further sum of N22.5 million is approved as loans towards the construction of Phase II of the hotel complex at Victoria Island.

THE NIGERIAN TOURIST BOARD:

A modest programme of about N115 million is approved for the implementation of tourism programmes during the Plan period. State governments have sizeable programmes in this area and the federal programme only aims at complementing these efforts and giving sense of direction to the sector to avoid unco-ordinated development. The programmes of the apex organisation (the NTB) comprise mainly of manpower development and training for hotel, catering, and general tourism staff, and provision of vital facilities in co-operation with other agencies for promotion of domestic tourism in the main and international tourism in general. A major activity not included in the capital programme but which will demand urgent attention of the Board during the plan period will be the setting of standards for Hotels and classification of hotels into categories for general information and tariff purposes.

THE OTHER MAJOR WORKS OF THE NTB INCLUDE:

1.—Establishment of National Institute for Tourism.—This programme which is split into two parts is meant to provide for a sizeable training programme for the hotel, catering and tourism industries. Immediate expansion of existing training facilities at an estimated cost of N10 million is envisaged while medium to long term training facilities are expected to be provided at a cost of N30 million. The entire programme expects significant inputs from the ILO/UNDP.

2.—Holiday Resorts.—This project with an allocation of N15 million is aimed at establishing medium size holiday resorts in each of the states of the Federation to cater for people on vacation. Waterside locations close to major cities will be preferred. The structures to be provided will be modest in order to reduce capital outlay and put the facilities within the reach of average tourists. Facilities that will be provided will be graded to cater for different tastes.

CENTRAL BANK:

The Central Bank has a total allocation of about N152 million. This is to enable the Bank to develop its new headquarters at Abuja and implement its other office and staff quarters building programmes in the various state capitals where the bank has its branches.

NIGERIAN BANK FOR COMMERCE AND INDUSTRY:

A total sum of N380 million has been allocated to the Bank for on-lending to medium and small scale businesses and for the construction of office accommodation and staff quarters.

OTHER FINANCIAL INSTITUTIONS:

The Agricultural Credit Guarantee Scheme has a programme of N20 million; the Nigerian Securities and Exchange Commission, N9 million, and the Federal Savings Banks N9 million. These allocations are mainly in the form of loans and grants towards the construction of offices and staff quarters.

THE NIGERIAN NATIONAL SUPPLY COMPANY:

The National Supply Company which was established to take over the functions of the Crown Agents with respect to procurement of goods for the public sector increasingly got involved with the purchase and distribution of essential commodities during the Third Plan period. With the implementation of the programmes proposed in the Plan, the role of the NNSC in this latter area will ultimately be de-emphasised. In the meantime, the company still has an important role to play in intervening in the market to moderate the prices of essential commodities. Consequently an allocation of N15.5 million is approved for the company to construct one major and one subsidiary warehouse in each state of the federation to facilitate the distribution of its commodities.

A sum of N5 million is also approved for the construction of the Company's headquarters offices at Abuja; while a total of N7 million is approved for the construction of its offices and staff quarters at other locations. These allocations will be made available to the company by way of loans and grants after taking into account its internally generated revenues.

POWER

1. In recognition of the central role of power in socio-economic development, the Government will ensure adequate and uninterrupted power supply during the Fourth Plan period. In pursuance of this policy objective, efforts will be directed to increasing the generating and transmission capacity as well as expanding and improving the distribution facilities to accommodate load growth and improve the quality of service.

2. Power development policy during the Plan period will be pursued as an integral part of the nation's overall energy policy. Consequently more emphasis will be placed on substitutability and interchangeability of the various energy sources in the generation of electric power taking into account the comparative economics of utilising the various alternative sources. In this regard, Government will encourage the use of fossil fuels including coal and gas and other energy sources for power generation. A national energy Commission has been established and will be sufficiently equipped to deal with energy policy issues on a continuing basis.

3. The policy of self-reliance through development of indigenous technology and transfer of the appropriate technology in the power sector will be more vigorously pursued through accelerated training and research programmes. A total sum of N2.4 billion has been earmarked by the Federal Government for the development of power supply during the Plan period.

4. The power development programme includes provision of generation, transmission and distribution facilities designed to supply the estimated load over the next five years including the requirements for countrywide rural electrification. As a result, Government envisages a huge expansion programme for additional generation of about 3,000 MW by 1985. It is estimated that the total installed generating capacity will be about 4,600 MW by 1985 which will be sufficient to meet the estimated load 3,460 MW and provide a reserve margin of 1,140 MW to ensure uninterrupted supply of power at all times.

5. The major generating plants to be installed during the Plan periods are as follows:—

(i) Hydro Electric Power Generation—The construction of Hydro electric power plants at Jebba and Shiroro with a combined planned installed capacity of 1,140 MW will be completed and put into service before 1984.

As part of the distribution programme, all Local Government Headquarters will be supplied with power. Also some towns and villages through which 33 KV distribution lines pass will be electrified during the Plan period by provision of low voltage reticulation. The sum of N1.0 billion has been provided for improvement and extension of distribution facilities and for provision of power supply to rural areas all over the country.

To complement the Federal Government's efforts, the state governments have also provided a total sum of N1,092 million for their rural electrification programmes. The major programmes will include the electrification to town and villages using isolated diesel and gas fired plants.

COMMUNICATIONS

To facilitate speedy implementation of a backlog of unaccomplished projects from the Third Plan and meet the communications requirements of a rapidly expanding economy, a total sum of N2.0 billion is allocated to the Communications sector during the Fourth National Development Plan.

Highlights of the major programmes are as follows:

(i) Internal Telecommunications:

(a) A total of about 370,550 additional telephone lines will be installed, raising the total number of telephone lines in the country to about 611,550 by the end of the Plan period. A total sum of N417.9 million has been earmarked for the provision of telephone switching facilities.

(b) Trunk services will be provided to match the expected increase in telephone traffic that will be generated by the rapidly growing number of subscribers. Action will be taken to integrate facilities for the transmission and broadcasting of television and sound services in appropriate cases. In addition to completing the transmission projects, spilling over from the Third Plan, including the domestic satellite communications, the Lagos-Kaduna coaxial cable, and the aerostat (balloon) to the extent considered necessary, terrestrial trunk and toll networks will be constructed and linked to all switching centres throughout the country. The estimated cost is N427.0 million.

(c) The installation of telex/gentex facilities in various locations throughout the country will be completed and will make available additional 7,350 telex working lines. The Government will also provide additional 1,600 telex lines at all state capitals, bringing the total number of telex lines to be installed during the Plan to 8,950. All the telex/gentex exchanges will be equipped with external line plant and teleprinter machines. The total estimated cost is N92.0 million.

(ii) Postal Services:

In the field of postal services increased emphasis will be placed on expansion and modernisation of postal establishments as well as improved efficiency in mail distribution. The Government will adopt a wider perspective in the provision of postal facilities aimed at increasing convenience by bringing postal services nearer to all communities and minimising delay in mail distribution and the incidence of damage to and loss of mails. Measures to spread postal services more widely will include the encouragement of communal effort in the provision of postal establishments.

Government will continue to support any community which puts up a Post Office building which meets P and T's specifications and offers it to the Government free of encumbrances. The total number of postal establishments in the country will be increased from about 3,200 to about 9,600 representing a threefold increase over the next five years. A total of N300 million has been earmarked for postal services development.

The highlights of the major programmes are as follows:—

(a) New Post Offices Buildings:—About 535 new Post Offices together with other auxiliary buildings and associated postmasters' quarters will be built and equipped in various locations in the country to enhance the coverage and quality of services. The estimated cost is N196.0 million.

(b) Improvement of Mail Transportation and Delivery Services.—A sum of N45.0 million has been provided for the provision of vehicles for mail transportation and delivery services as well as installation of about 1.2 million private letter boxes and about 500 pillar posting boxes in strategic locations from which subscribers can collect and despatch their mails.

(c) New Postal Establishments.—To achieve a wider coverage of postal services throughout the country about 9,000 new postal establishments including postal agencies and sub-post offices will be established at an estimated cost of N8.0 million.

(iii) Nigerian External Telecommunications (N.E.T.):—

The major objective of the Nigerian External Telecommunications is to improve and expand international telephones, telex and telegraph services between Nigeria and the outside world. In pursuance of this objective, Government will establish a full international direct dialling network to cover all State capitals and major urban centres which will enable national subscribers to dial directly to subscribers from other parts of the world and vice versa. Government will also continue to give priority to the development of an inter-African telecommunications network in association with ECOWAS and Pan-African Telecommunications Union.

The major Projects include:—

(a) The completion of the construction of a second satellite Earth Station at Kaduna which will provide a second international gateway complex and another gateway for Enugu to cover the Eastern States.

(b) The West African Submarine cable: This Project is to extend circuits on the submarine cable to Senegal, France, U.S.A., Brazil and other European Countries. The Abidjan-Lagos link will be extended to Warri and Port Harcourt and connected with the proposed Enugu gateway complex.

EDUCATION

The programmes and projects planned for the education sector embody to a large extent, though with varying degrees of emphasis among governments, the guiding principles and objectives set out in the National Policy on Education. The central theme of the Policy is that Education should serve the goal of social transformation and the development of people. The strategy to achieve this aim would seek to consolidate the quantitive gains made during the proceeding Plan periods through measures to improve the quality of education at all levels while maintaining a steady rate of increase in enrolments and classroom space. The highlights of the Federal and State programmes are presented below.

FEDERAL PROGRAMME:

2. The total allocation under the Federal programme is N2.2 billion amounting to about 5.5 per cent of the projected total Federal Government capital investment during the Plan period. A significant distinction between the proposed programme and the preceeding 3rd Plan, is the complete absence of Federal investment in primary Education. The advent of civilian government has vested constitutional responsibility for primary education on the Local Governments. Consequently, there are no projects at the primary level in the Federal programme for 1981-85. The major features of the programme under the different sub-divisions are as follows:

(a) Secondary Education.—The total allocation for secondary education is N137.500 million. The programme involves mainly the consolidation and expansion of the 39 Federal Government boys and girls colleges located in every state in the country. During the period, 2 new secondary schools, one for boys and the other for girls, will be built at the new Federal Capital, Abuja. The expansion programme is important because of the expected upsurge in enrolment at secondary level by 1982 when the first stream of pupils from the UPE scheme will be turned out. Under the National Policy on Education, secondary education will be reformed into a two-stage system, the junior and senior secondary school combining academic with vocational training. A significant portion of the investment at this level will be devoted to the procurement of equipment and facilities to make the transition a reality. It is expected that the Federal Government schools will reach an ultimate capacity of 1,500 students each at the end of the Plan period. A total of N26 million is being spent on expanding the 7 Federal Schools of Arts and Sciences. These sixth form institutions which prepare secondary school leavers for entry into the universities will gradually be phased out when the two-stage system takes full effect.

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NIGERIA

Some young Nigerian women in a version of the aso-oke, at a cultural event in Lagos

(b) Technical Education.—Technical education takes the second largest share (N354 million), after higher education, of the planned capital allocation to the sector. This is because of the very high priority that will be attached to the training of technical manpower at all levels during the Plan period. As several giant industrial projects like the steel mills are expected to come on stream before the end of the period the Federal Government attaches great importance to ensuring the availability of an adquate number of skilled technicians and technologists to the industrial sector. With the scrapping of the Crash Programme of technical education whereby thousands of Nigerian students were trained overseas, the policy of Government is to drastically increase the number of available institutions for the training of this category of manpower locally. A sum of N8 million is to be spent on the replacement of worn-out buildings and equipment at the Federal Technical College, Yaba. Six new Federal Technical Colleges will be built at a cost of N48 million. These Colleges will offer advanced craft courses so as to provide high level training for craftsmen and graduates of sufficient supervisory capability in industry. The colleges will also provide the basis for the training of teachers for the technical schools. The Federal Polytechnic at Yaba is being expanded at a cost of N15.000 million with the aim of increasing its student capacity to 8,000 by 1985. Construction work on the 6 Federal Polytechnics at Akure, Bida, Bauchi, Idah, Ilaro and Yola will be completed on their permanent sites during the period at a total cost of N180 million. The National Board for Technical Education is to build 2 Centres of Work Experience where graduates from technical colleges and Polytechnics will acquire industrial experience by training on the job. It is the policy of the Federal Government to establish one Polytechnic, one Technical College and one Advanced Teacher Training College in each State.

(c) Teacher Education.—A total sum of N194.8 million has been earmarked for Teacher education. In line with the plan objectives, the programme emphasises the expansion of existing facilities and the enhancement of the quality of trained teachers through the provision of adequate equipment and materials. A sum of N100 million is to be spent on settling existing liabilities incurred during the 3rd Plan period in establishing Grade II Teachers schools all over the federation for the UPE. The Phases I and II of the construction work on the 6 Federal Advanced Teachers Colleges at Okene, Pankshin, Kontagora, Kastina, Abeokuta and Yola will be completed during the Plan period. The institutions are expected to produce 2,000 students each annually. The two Technical Teachers' Colleges at Akoka, Lagos and Gombe will be developed at a cost of N17 million to take in 1.500 students each by 1985. The National Teachers Institute at Kaduna will expand facilities for the training and upgrading of primary school teachers. Beginning from 1982, the Institution will assume responsibility for the conduct of the Grade II Teachers Examination in collaboration with the Institutes of Education of Nigerian Universities.

(d) Higher Education.—The planned capital expenditure for the universities of N1.250 billion is more than the total allocation to the other levels combined and amounts to 56.8 per cent of the total investment in the sector. This seemingly disaproportionate share is explained by the fact that development in the universities more than in any other level of education was seriously constrained by Government budgetary stringencies during the later years of the 3rd Plan period. In the last few years almost very little or no capital projects were implemented in the older universities. The situation did not augur well for the growth of the universities especially in areas concerned with the academic programmes and research. Moreover, the level of demand for university places has increased beyond proportions. It is projected that about 103,000 students will be enrolled in the system by 1985. In order to meet this demand and at the same time improve the quality of facilities the existing universities will be expanded. Seven new universities of Technology and one Conventional University at Abuja will be established during the Plan period. In addition, an Open University will be established to cater for the needs of those who are unable to go to normal universities.

(e) Adult Education.—The total expenditure for Adult Education is N14 million. The Federal involvement in this level of education will only be in the construction of a National Centre for Adult Education which will act as a national resource centre for planning, evaluation and research into this sphere of education. The Federal Government will launch a national mass literacy campaign by 1982. The target is to make a minimum of 6-8 million illiterates literate during the Plan period. A total of N10 million will be spent on the project.

(f) Student Financing.—A total of N123.00 million has been committed to the student financing needs of the Federal Government. During the period undergraduate and postgraduate awards will be made and a sum of N10 million would be disbursed as loans under the Nigerian Students Loans Board Scheme.

HEALTH

PROGRAMMES AND PROJECTS:

(i) Federal Government:

The Estimated total capital expenditure for Federal programmes in the health sector during the Plan period, is N1.200 billion. Of this amount, the National Basic Health Scheme has a financial allocation of N100.000 million. The establishment of hospitals, e.g. National Hospital for Children *in six states has* N150.000 *million, Federal Medical Centres* (Teaching Hospitals) in seven states has N200.000 million, the Special Hospitals, e.g. orthopaedic, neuropsychiatric and Dental Hospitals are also being accorded priority in terms of financial allocations. An allocation of about N26 million was made to health training programmes all over the country. Under the communicable diseases provisions were made for the control of Malaria and Cerebro Spinal Meningitis.

During the early part of the plan, most of the spillover projects of the teaching hospitals would be completed. The provision of external works, building of staff quarters for workers, other infrastructures and the modernisation of hospital equipment are the main features of the Teaching Hospitals *Programme. Each of the Teaching Hospitals would establish a centre for* community health services at a cost of N1.5 million. In addition, there will be development of New Teaching Hospitals in nine states.

(ii) State Governments:

State Programmes were formulated largely within the frame-work of the National Health Policy and Guidelines. As a result state governments have without exception placed top priority on the execution of the *National Basic Health* Services Scheme. The components of the scheme which will be emphasized include the building of Comprehensive Health Centres and Primary Health Centres. Equally important is the provision of supporting services such as the training of midwives, nurses and other para-medical staff as well as the manufacture, procurement and storage of drugs. Attention is also paid to the development of hospital institutions such as general and specialist hospitals which are designed to provide referral *facilities to treatment* undertaken at the Basic health level. In order to enhance the performance of all those engaged in the health delivery system there are also adequate plans to build staff quarters located as close as possible to the hospitals and health centres where the beneficiaries work.

HOUSING

Programmes and Projects.—The Federal Government's direct housing construction programme consists of three schemes which have already taken off the ground and will continue to be executed throughout the Fourth National Development Plan period. The first is the direct construction scheme which is under the supervision of the Federal Ministry *of Housing and Environment.* The programme is aimed at constructing 2,000 housing units annually in each of the 19 States of the Federation, with the bulk of the units going to the low income public. The sum of N400 million has already been allocated to the programme for the 1980 financial year and is not included in the total sum of N1.05 billion allocated for the Plan period. The second aspect of the National Housing programme is being executed by the Federal Housing Authority, and is intended to continue throughout the Fourth Plan period. The bulk of this programme is aimed at both middle and high income earners. A sum of N200 million has been allocated to this programme for the Plan period. The third, is the Nigerian States Urban Development project in which the Federal and State Governments are participating with some input from the World Bank. The project is a complete urban development package consisting of housing construction, provision of social services including schools and hospitals, a general up-grading of slums and the provision of sites and services. The Federal Mortgage Bank of Nigeria is co-ordinating the finances required for the project. The pilot project has already taken off in Bauchi State and the Imo State project is in the offing. It is the intention of Government to extend the project to all the States of the Federation during the Fourth Plan period. The total allocation to the housing sector in the *Federal programme* amounts to about N1.6 billion.

OPPORTUNITIES FOR THE PRIVATE INVESTOR

Out of the total investment of N82 billion that will go into the plan, the Federal Government of *Nigeria will provide* N40 billion, state and local governments N28 billion, and the Federal Capital Development Authority N2.5 billion. The Federal Capital Development Authority is charged with the responsibility of constructing Abuja, the proposed new capital of Nigeria.

Nigeria recognises the crucial role the private sector can play *in the overall development of* the country. The balance of N11.5 billion out of the total N82 billion is reserved for the private sector. Necessary incentives will be given by the government *to ensure that the private sector fulfils its role.*

AGRICULTURE:

Certain sections of the plan are expected to appeal to *private investors, both Nigerian and foreign. For example,* during the plan period, the Federal Government will place emphasis on encourging private entepreneurs to establish large-scale farms. Government participation in direct production will come mainly by way of equity holding in purely commercial joint ventures with the private sector.

Opportunities for the Private Investor (Continued)

The fiscal incentives already provided by government for companies wishing to go into large-scale agricultural production; e.g. income tax relief for pioneer enterprises, duty-free importation of farm machinery, additional investment allowance of 10 per cent provision for carrying forward of losses, etc. will be maintained and improved upon as may be appropriate as a *means of inducing private investment into agricultural* production.

Already agricultural production and processing has been transferred from Schedules II to III of the Nigerian Enterprises Promotion Act which means that *foreigners can now own up to* 60 per cent of the equity in an agricultural enterprise. It is hoped that this will help to attract foreign private investment into this sector.

The Commodity Boards, Grains Production Company and the States Agricultural Development Corporation will be prepared to go into partnership with private indigenous and or foreign investors in establishing large-scale farms.

There will be a lot of mechanization since it has the obvious advantages including the possibility of large-scale clearing of land and its preparation for irrigation, the speed, quality and timeliness of operations. On a global scale it will have the long-term effect of releasing labour permanently to industry and services without a drop in agricultural production.

MINING AND QUARRYING:

The joint ventures capital funding arrangements of the Nigerian Petroleum Corporation (NNPC) with oil producing companies will be continued so long as it is in the national interest to do so. The scheme will be kept under continuous review vis-a-vis other options open to Government. A total allocation of N3,000 million has been earmarked towards capital funding of joint venture activities during the plan period. These involve the activities of Shell, Agip, Gulf, Mobil, Elf, Texaco and Pan Ocean Companies and acquisition of 60 per cent interest shares in Tenneco and Phillips.

The Liquefied Natural Gas (L.N.G.) project which is expected to cost about N3,000 million to implement is considered rather too gigantic to be implemented along side the other major projects to be executed during the Fourth Plan period. Government however remains committed to the implementation of the project and will vigorously pursue its execution in co-operation with the private sector and financing institutions. A sum of N300 million has been allocated to enable the execution of the project to be commenced by 1984 during which time the iron and steel projects might have been commissioned and the other major petro-based projects should have reached stages of implementation.

MANUFACTURING AND CRAFTS:

The pattern of activity in this sector will continue to be mixed with government and private entrepreneurs participating side by side. But in order to enhance the economic and social *benefits of industrialisation, the growth of industries will have* to be regulated and guided by government. This will be done without stifling private initiative. Private investment, both local and foreign will be encouraged and given the maximum support required for survival and rapid expansion.

Competition will be encouraged at the domestic level to ensure increased efficiency and passing of the gains of industrialisation to consumers, while international competitiveness must be the ultimate goal of the sector. This underlines the necessity to plan for efficiency rather than perpetual reliance on protection by government.

Apart from the defence industries and security printing, no specific area will be reserved exclusively for government. The private sector will be free to invest its resources in any enterprise provided they conform with guidelines to be issued from time to time by government.

REMOVAL OF CONSTRAINTS:

One of the causes of frustration among intending industrialists in Nigeria is the constraint experienced from institutional and administrative arrangements. To obtain permits, licences and approvals, industrialists usually have to hop from one office to another. In addition to the inconveniences caused by this, they also experience administrative delays. To tackle this and other problems, an Industrial Development Coordination Committee has been established in the Federal Ministry of Industries. One of the main responsibilities of this Committee is to facilitate the timely release of licences, permits and approvals to industrialists.

TOURISM:

Government believes in the desirability of providing leisure facilities for its populace. With good facilities and effective organisation it is possible to attract foreign tourists as well thus earning some foreign exchange to compensate for Nigeria's exenditure on tourism in other countries. Apart from providing guidelines and other support services, the Federal Government will provide certain key facilities in partnership with either state governments or international tourism organisations where necessary. For example, significant inputs are expected from the ILO/UNDP in the establishment of the National Institute for Tourism.

As tourism (both national and international) grows, the need to classify and monitor the services of hotels will increase and this will be done during the course of the Plan period by the National Tourist Board assisted by the State Tourism Committees. The various Hotel organisations are expected to supplement government allocation with their internally generated revenues and loans from both national and international finance institutions.

TRADE INFORMATION:

The establishment of a national trade information network and mounting of permanent show rooms in selected Nigerian missions abroad are meant to facilitate contact between producers and potential consumers through information and product exhibition. A sum of about N3.5 million is earmarked for this purpose.

POWER:

In recognition of the central role of power in socio-economic development, the Government will ensure adequate and uninterrupted power supply during the Fourth Plan period. In pursuance of this policy objective, efforts will be directed to increasing the generating and transmission capacity as well as expanding and improving the distribution facilities to accommodate load growth and improve the quality of service.

The Fourth National Development Plan of Nigeria offers tremendous opportunities to well-meaning citizens of the world who want to have a stake in the future of Nigeria. Serious foreign investors will be encouraged as partners in progress.

Further information about Nigeria can be obtained from the Federal Director of Information, Office of the President, Department of Information, Republic Building, Marina, Lagos, Nigeria or from the Nigerian High Commission, 9, Northumberland Avenue, London.

AGRICULTURE IN NIGERIA'S DEVELOPMENT PLAN

Agrarian revolutions precede industrial revolutions. At least, this was the experience of the developed countries including Britain.

The pattern of development in developing countries has been to have industrial growth alongside agricultural growth. The tendency is that industry draws away labour from the land since traditional agriculture involves the drudgery of tilling the soil with antiquated tools wihile industry has advanced to the push-button era.

Agriculture can be mechanised if sufficient capital and technology are put into it.

Nigeria's agricultural sector is one from which a lot had been expected from the point of view of providing employment opportunities, self-reliance in basic food production, higher per capita income, foreign exchange earnings and the provision of industrial raw materials.

Developments in the non-agricultural sectors of the Nigerian economy have tended to depress rather than complement the agricultural sector. However, the objectives of Nigeria's Fourth National Development Plan will see the *Federal, State and local governments promoting:*

(a) increased production of food and other raw materials to meet the needs of a growing population and rising industrial production; a basic objective in this respect is the attainment of self-sufficiency in food in about five years;

(b) increased production of livestock and fish to meet domestic needs and create a surplus for export;

(c) increased production and processing of export crops with a view to expanding and diversifying the country's foreign exchange earnings; in this respect a target of seven years is being set for the revival of our cash crops;

(d) the expansion of employment opportunities to absorb the increasing labour force of the nation; and

(e) the evolution of appropriate institutional and *administrative apparatus to facilitate the rapid development of* the country's agricultural potential.

The Federal Government of Nigeria would place emphasis, during the Fourth National Development Plan period, on encouraging private entrepreneurs to establish large-scale *farms.* Government will participate in direct production mainly by way of equity holding in purely commercial ventures with the private sector.

Fiscal incentives already provided by government for companies wishing to go into large-scale agricultural production, for example, income tax relief for pioneer enterprises, duty-free importation of farm machinery, additional investment allowance of 10 per cent provision for carrying forward of losses, etc. will be maintained and improved upon as may be appropriate as a means of inducing production.

Already agricultural production and processing has been transferred from Schedules II to III of the Nigerian Enterprises Promotion Act which means that foreigners can now own up to 60 per cent of the equity in an agricultural enterprise. The expectation is that this will help attract foreign private investment into this sector. The Commodity Boards, Grains Production Company and the States Agricultural Development Corporations will be prepared to go into partnership with private indigenous and or foreign investors in establishing large-scale farms.

Apart from increased output, agricultural mechanisation primarily is a means of reducing the tedium of farm operations and the unattractiveness of farming as an occupation. *Mechanisation therefore* has obvious advantages including the possibility of large scale clearing of land and its preparation for irrigation, the speed, quality and timeliness of operations. On a global scale it will have the long-term effect of releasing labour permanently to industry and services without a drop in agricultural production.

However, for its advantages to be realised, output per man, particularly during the critical periods of labour requirements must be raised. This will be achieved by the use of better and adaptable simple implements and the introduction and intensification of animal power through a properly co-ordinated incentive scheme. Farmers should find the adoption and use of such implements profitable without having to rely permanently on heavy government subsidies.

One of the main difficulties of bringing improved methods of agricultural production to the farmer is the acute shortage of extension workers. For example, the ratio of extension workers to farmers in Nigeria is currently estimated at 1: 2,500 compared with 1: 200 in India or 1: 250 in Kenya.

During the next Plan period therefore, increased effort will be made to train extension workers both in the conventional agricultural training schools and on the job so as to

Agricultural output with mechanised farming

ADVERTISEMENT

reduce the extension worker/farmer ratio to about 1: 800. Moreover, emphasis will be placed on improved utilization of existing workers particularly by making them live closer to the farmer. Possibility of setting up model farms for the purpose of disseminating improved methods under the supervision of the extension workers and of working through village or community farm leaders who command respect in their locality will be fully explored.

During the Third Plan period, seven State governments, namely, Kaduna, Sokoto, Bauchi, Benue, Plateau, Kwara and Niger with the assistance of the Federal Government and the World Bank had introduced Integrated Agricultural/Rural Development pilot programmes (ADP). The projects located in Funtua, Gusau, Gombe, Ayangba, Lafia, Ilorin and Bida involve socio-economic activities such as agriculture, rural road construction, dam construction, water supply, livestock production, etc.

The scheme aims at providing improved services in the form of an integrated package to existing small holder farming communities with the objective of increasing productivity, raising farmers' incomes and bringing overall socio-economic development to the rural areas.

An accelerated Development Area Programme (ADA) is to be implemented for residual areas not yet encompassed by the ADPs. The programme would apply the core elements of the ADP approach such as improved extension, input distribution and rural feeder roads in a simplified package which could later be upgraded to full ADP status.

The ADP-ADA programme will be jointly implemented by the Federal, State and Local Governments with the World Bank providing the loan for financing the foreign component. The total cost of the programme is N2,343.29 million of which the Federal Government contribution will be about N422.80 million. The balance will be contributed partly directly by the States and partly indirectly through loans to be provided by the World Bank.

To put the country on the path to attaining the basic national objective of self-sufficiency in food production, a radical improvement is called for in the performance of all aspects of agriculture. The kind of effort required to close the demand/supply gap for crop products will call for a production growth rate of about 6.5 per cent per annum and 11.25 per cent per annum for Livestock products which is a herculean task compared to the current growth rate which for crop products is about 1 per cent and for Livestock products is about 0.75 per cent.

Indeed, an overall production growth rate of 4 per cent is being projected for the plan period. Even this is considered very ambitious in view of the constraints of manpower, finance, organisation and rural infrastructure.

Government policy during the Third Plan tended to emphasise direct production in large-scale mechanized farms especially those established by public sector enterprises which unfortunately contributed little to output. During the Fourth Plan, however, government policy is expected to emphasise promotional activities aimed at increasing the output of small holders who currently account for more than 90 per cent of domestic food supply. The bulk of the targetted incremental production is expected to come from these small holders through increased productivity and multiple cropping.

Price incentive has long been recognised as a powerful means of inducing farmers to produce more. This weapon will be fully utilised during the next Plan period. The guarantee minimum prices set by Government will be kept under constant review and their administration will be improved to ensure that they serve the desired purpose.

About N972 million has been allocated by the Federal Government for the provision of agricultural inputs during the Plan period. Out of this amount N470 million will be spent to purchase 3.13 million metric tonnes of various types of fertilizer for distribution to farmers at a subsidised rate. The State Governments are also expected to contribute N375 million for the purchase of this input.

There is also a fishing programme in which three coastal fishing terminals will be established in Lagos, Aiyetoro/Igbokada and Port Harcourt to provide berthing, storage, repair and shipping facilities for inshore and distant fishing vessels calling at Nigerian ports. An allocation of N35 million has been provided for the programme.

The Agricultural sector is one of the most ambitious sectors of the Fourth National Development Plan and at both Federal State levels, it appeals to the private investor.

TRANSPORT

THE OBJECTIVES:

The primary concern of the Federal Government in the area of transportation during the current Plan period is the proper management and maintenance of the facilities already provided at very heavy costs. Expansion of facilities will be relatively modest. The need for effective co-ordination between the various transport modes will however receive appropriate priority while Government will continue to ensure efficiency, safety and reliability of the services provided by the transportation agencies to users. Government is also concerned with the promotion of self reliance and the development of indigenous construction capability vital for the expansion of infrastructural facilities in this sector. Effort will therefore continue to be made in this direction.

The problem of imbalance in investment as between the various modes will be effectively tackled in the Fourth Plan period especially in the area of land transportation. The rail system will have the long overdue boost in Government efforts to provide cheap, economic and reliable services especially for long haul traffic. Government will also pay considerable attention to management problems, pricing and efficient institutional arrangements to ensure the achievement of targets set for the sector. Some of these issues with appropriate measures are discussed below.

PROGRAMMES

Roads.—The Federal Government currently has responsibility for primary and secondary roads totalling over 30,000 km; 16,000 km of these were taken over in 1974 but much of the roads have not been reconstructed or rehabilitated. The focus of the Fourth Plan in the road sub-sector therefore will be that of ensuring adequate maintenance. About N400 million is being provided in order to keep all roads open on year round basis. Further, the rehabilitation/construction of most of the roads taken over which are still in rather bad shape will receive considerable attention in the Fourth Plan. Altogether, a sum of about N3.65 billion is being allocated to the roads sub-sector but existing contractual obligations with respect to on-going projects are of the order of about N1.9 billion.

Rail System.—In the past, the most serious problems of the Railway system have been inadequate levels of management and investment. The last Military Administration tackled the Management issue by inviting the RITES of India to run the system for a couple of years thereby restoring the time-honoured role of the rail system. The contract with RITES is progressing as planned and in a bid to put the existing tracks in proper condition, a sum of about N300 million has been allocated. The allocation will enable the Nigerian Railway Corporation to acquire enough Mainline locomotives, shunting locomotives, and goods wagons, to improve its telecommunication system, repair old bridges and replace some worn-out sleepers.

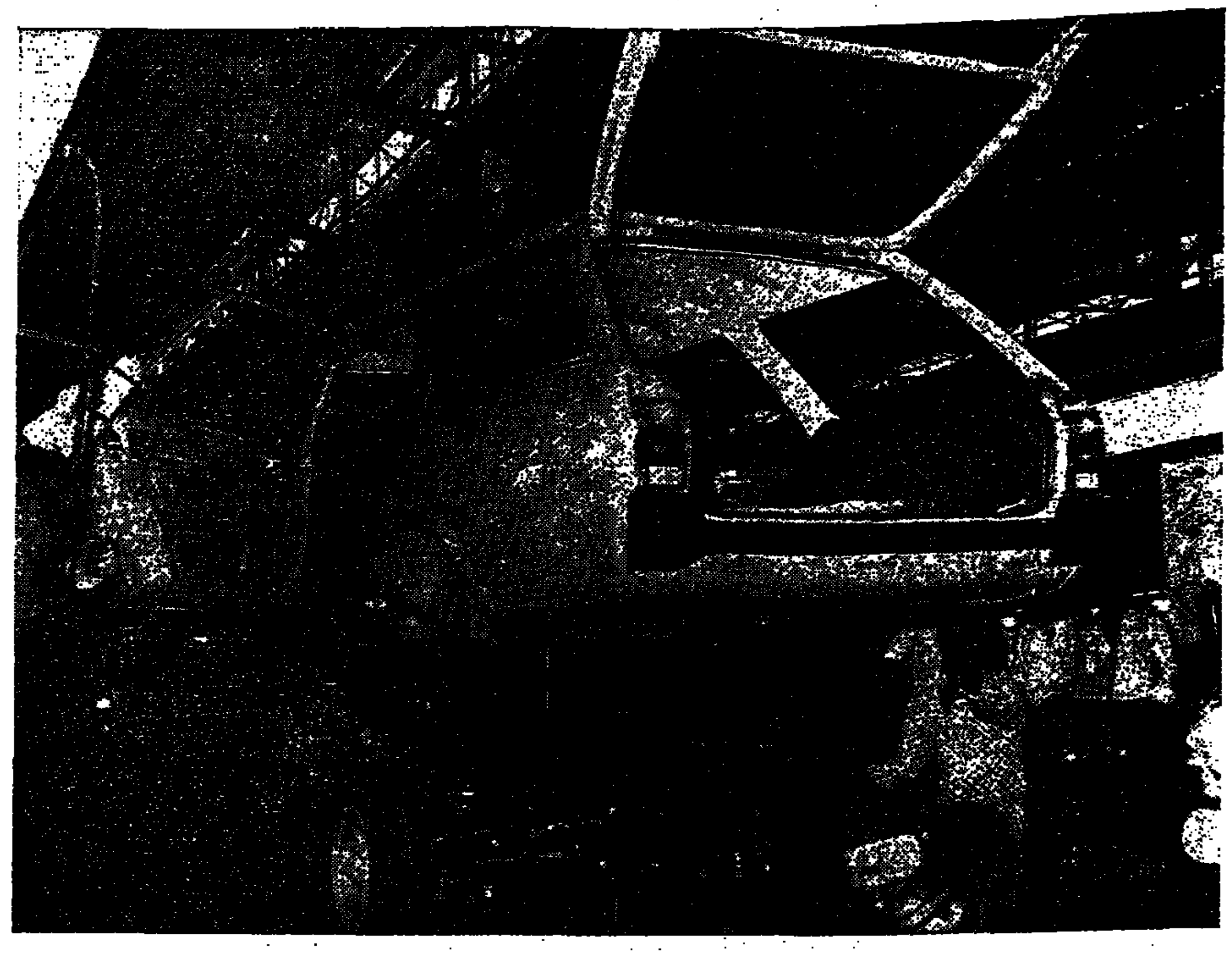
The star project of the Nigerian Railway Corporation in the Fourth Plan is the construction of a railway line between Port Harcourt and Ajaokuta based on the standard gauge system, to facilitate the economical transportion of heavy inputs for the iron and steel project at Ajaokuta and the distribution of the output. An allocation of N1.2 billion has tentatively been made to this stretch of rail link.

AVIATION:

Airways.—The Nigeria Airways now being managed by the KLM has a fleet of about 25 airplanes including 6 medium/long haul jets. Efforts are being made to enable the airline improve its domestic, African and international services in the Fourth Plan period. Towards this end, four medium haul jets are already on order to ensure a more reliable service by the airline. A provision of N110 million has been made for the company to purchase additional airplanes and provide infrastructural services within the Plan period. Where the airline can service its debt, it will be allowed to purchase airplanes on loan.

Airports Authority.—Airport development received substantial attention during the Third Plan period when fourteen Airports were simultaneously under construction in Lagos, Kano, Ilorin, Kaduna, Sokoto, Maiduguri, Enugu, Port Harcourt, Calabar, Jos, Ibadan, Benin, Makurdi and Abuja. The major problem of airport facilities is one of proper upkeep and maintenance for security and safety reasons. Government is committed to the provison of airports in all State capitals. But because of resource constraints, the fulfilment of this obligation will have to be realistically phased. An allocation of N376 million has been made for airport development, with another N100 million earmarked for Aviation safety. The Aviation Training Centre in Zaria has an allocation of N39.5 million.

In aid of Aviation safety and, particularly the Green Revolution Programme of Government, the Meteorology Department has a provision of N23 million.



Peugeot assembly, Kaduna

WATER TRANSPORT:

Sea Ports.—In the Third Plan period, bold strides were taken in sea port development with the Third Wharf extension and the "Instant Harbour" at Tin Can Island, both in Lagos. Other projects include the Calabar, Warri, Sapele and Onne ports.

Emphasis in the Fourth Plan will be on efficient operation of these ports while the construction work will be completed on those already started. In addition, a deep sea port to serve the whole of West and Central Africa is being studied for construction at a location to be determined. Other highlights of the Ports Programme include the Koko Fishing Port, the Ogunu Wharf, Slipways at Apapa and Port Harcourt, Bulk handling facilities at Calabar and Port Harcourt, dredging of the Bonny River and creation of a few inland container depots. Total allocation to Port development is some N360 million, while the Authority intends to generate an additional sum of about N150 million.

Shipping.—There is increasing need for Nigeria to participate more in carrying national freight and imports. Towards this end, the National Shipping Line acquired 19 ships during the Third Plan. The Fourth Plan will witness yet more additions to the stock with the Company itself generating funds from its operations to buy more ships. To add the necessary fillip to the operations and viability of the Company, Govern ment will provide N60 million in the Fourth Plan to the N.N.S.L.

Inland Water Ways—The year-round navitability of the Niger has become crucial not only to normal river traffic in Nigeria but more particularly to the requirements of the Ajaokuta Steel mill. To assist the Inland Water Ways Department of the Ministry of Transport to facilitate dredging, River training and construction of inland River Ports an allocation of N100 million has been made. The Central Water Transportation Company which is a principal user of the Niger and Benue Rivers has an allocation of N44 million to meet existing commitments and provide a jetty at Warri.

Dockyard Development.—In order to facilitate effective repairs of ships having regard to the fleet of the N.N.S.L. and other users of Nigerian Water Way Government will provide three Dockyards at Burutu, Lagos and Port Harcourt at a cost about N175 million. A Dockyard Authority will be created to run and manage the Dockyards.

Necessary training for water transportation is being done at Oron Nautical College for which a provision of N19.5 million has been made.

NIGERIA SECOND REPUBLIC

The swearing-in on October 1, 1979 of Nigeria's first Executive President is a milestone in the history of the nation—second only perhaps, to the achievement of independence in 1960. It marked the end of over 13 years of military administration in the country and a definite departure from the system of government inherited from Britain on independence.

The first step towards fashioning a new governmental framework for Nigeria was taken by the military administration when, on 18 October, 1975, the then Head of State, General Murtala Muhammed outlined the policy guidelines on Nigeria's new constitution in his address to the inaugural meeting of the Constitution Drafting Committee.

The act of producing a new constitution for Nigeria was only a part of the programme of the military regime to relinquish power and hand over the administration of the country to the popularly elected representatives of the people. The five stage programme announced in 1975 provided for the creation of additional states, the production of a draft constitution for the consideration of an elected Constituent Assembly, he reorganisation of the local government system and elections into the local government councils throughout the country; the lifting of the ban on political activities and the conduct of popular parliamentary elections to choose the people's representatives.

The culminating effect of that programme is a new Nigeria, a new constitution, a new head of state and government and national and state assemblies of democratically elected Nigerians at Federal and State levels.

The Constitution

The Nigerian constitution, which was promulgated into law on September 21, 1978 and came into force on October 1, 1979, can be described as the end result of the contribution of all Nigerians to the constitution making processes.

The draft was subjected, for a whole year, to public debates, newspaper, radio and television comments and views expressed by Nigerians and non-Nigerians from all walks of life who exercised their freedom of expression on the provisions of the constitution. At the end of this exercise, the draft constitution was considered by a Constituent Assembly made up largely of elected Nigerians from the local government level, some members appointed to represent special interest and the chairmen of all the sub-committees of the Constitution Drafting Committee. The Constituent Assembly was presided over by a Judge of the Supreme Court.

Mrs. Ebun Adenike Oyagbola
Minister of National Planning

Constitutional Provisions

The Nigerian Constitution is supreme and its provisions have binding force on all authorities and persons throughout the country. It has, as it aim, the promotion of the good government and welfare of all persons in the country on "the principles of FREEDOM, EQUALITY, and JUSTICE and for the purpose of consolidating the Unity of our people.

The Constitution provides for a President, as the Head of State, Chief Executive of Government and Commander-in-Chief of the Armed Forces; the National Assembly, made, up of the Senate and the House of Representatives and a State Assembly, in each of the 19 States with the Governor, as the Chief Executive of each State.

National Assembly

The National Assembly, consisting of the Senate and the House of Representatives, has a life period of four years from the commencement of the first sitting of each house. Both the Senate and the House of Representatives must each sit for a period of not less than 181 days in a year.

The Senate has 95 members made up of five elected members from each State while the House of Representatives has 450 seats. There are now 449 elected members of this house. The remaining seat is for the Federal Capital Territory now under development. Representation in the House of Representatives is based on the population of each State.

To qualify for membership of the Senate, a person must, among other things, be a citizen of Nigeria and must have attained the age of 30 years. Membership of the House of Representatives requires that the person must be at least 21 years of age.

State House of Assembly

The legislative body in each State is the House of Assembly. The size of each House of Assembly in a State is linked with the state's representation in the House of Representatives at the centre. The Constitution provides that a House of Assembly shall consist of three times the total number of seats which that state has in the House of Representatives. Like the Senate and the House of Representatives, each House of Assembly must sit for at least 181 days in a year. Similarly, each house becomes automatically dissolved at the end of four years from the date of its first sitting.

Legislative Powers

The legislative powers of the Federal Republic of Nigeria are vested in the National Assembly for the Federation. The National Assembly is empowered to make laws for the peace, order and good government of the Federation.

If any law enacted by the House of Assembly of a State is inconsistent with any law validly made by the National Assembly, the law made by the National Assembly shall prevail while the other law shall, to the extent of its inconsistency, be void.

The legislative power of the state of the Federation is vested in the House of Assembly of the State.

The President

Under the Constitution the President is the Head of State, Chief Executive of the Federation and Commander-in-Chief of the Armed Forces of Nigeria. The office of the President is an elective one and no President can hold office for more than two terms of four years each.

To qualify for election to the office of President, a person must be a citizen of Nigeria and must have attained the age of 35 years. A candidate for an election to the office of President is deemed to have been duly elected to such an office where:

(a) he has a majority of votes cast at the election; and

(b) he has not less than one quarter of the votes cast in two-thirds of the states. Where no candidate qualified for election as provided above, the Federal Electoral Commission shall within, seven days of the result of the election, arrange for another election to be held.

The President is not a member of any of the two houses of the National Assembly. He may, however, attend any meeting of the Senate or House of Representatives or any joint meeting of the National Assembly, either to deliver an address on national affairs including fiscal measures or to make such statement on the policy of government as he considers to be of national importance.

The Governor of a State exercises powers and functions in the state similar to those exercised by the President at the federal level.

House of Representatives in session

The Vice-President

The Constitution also provides for the office of the Vice-President. He is a nominee of the presidential candidate at the time of registration for the presidential election and automatically becomes the vice-president if the presidential candidate wins the election.

The Vice-President's tenure of office is the same as that of the President. The Vice-President assumes the office of the President on the resignation or removal of the President from office as provided in the Constitution.

The counterpart of the Vice-President in the state is the Deputy Governor.

Federal Ministers; State Commissioners

The President is empowered by the constitution to establish offices of Ministers of the Government of the Federation and appoint persons to such offices. Appointment to the office of minister of the federation is subject to confirmation by the Senate.

In the exercise of his powers to appoint ministers, the President is required by the constitution to appoint at least one Minister from each State, who shall be an indigene of that State.

Where a member of the National Assembly or of a State House of Assembly is appointed as Minister of the Federal Government, he shall be deemed to have resigned his membership of the House on his taking the oath of office as a minister.

The President may, in his discretion, assign to the Vice-President or any minister, responsibility for any business of the government of the federation including the adminitration of any department of government.

In the State, the person who performs functions and responsibilities similar to that of the minister in the federal executive, is the Commissioner. He is appointed by the Governor of the State under the same terms as that of a minister.

Presidential Advisers

The President may appoint any person as a Special Adviser to assist him in the performance of his functions. The number of such advisers and their remuneration and allowances shall be prescribed by law or by resolution of the National Assembly. The appointment of a Presidential adviser shall be at the pleasure of the President and shall cease when the President ceases to hold office.

For further information:

**Department of Information,
Executive Office of the President,
Republic House,
MARINA, Lagos.**

**Nigerian High Commission,
9 Northumberland Avenue,
London WC2N 5BX.**

Price-cut campaigns keep retail sales volume up

BY DAVID CHURCHILL AND DAVID MARSH

SPENDING in the shops dropped back last month from the high January level, but is still holding up well in spite of the recession, according to Government figures published yesterday.

The volume of retail sales has risen sharply in the first two months this year on a seasonally adjusted basis. With real incomes still buoyant for people holding jobs, shoppers have rushed out to take advantage of price-cutting campaigns in the main High Street stores.

Retailers, however, say increases in turnover have been bought at the expense of a squeeze on profit margins. They are still mostly pessimistic about the outlook.

Provisional Department of Trade statistics show retail sales volume in February fell 1.8 per cent from January, seasonally adjusted, to 112 (1976=100).

January's figure, swollen by an active start to the New Year sales, was 5.2 per cent above December's. In the first two months this year, sales volume has been 3.7 per cent above the depressed level of the fourth quarter last year, and 2.2 per cent above the level in January-February last year.

To achieve these gains, retailers have held price rises well below the inflation rate.

The Department alulates that the value of store sales last month was only 10 per ent above the figure for February, 1980. By ontrast, retail pries are thought to have risen roughly 12 per ent. This figure will be published on Friday.

According to a survey of stores yesterday, most retailers are pessimistic about the prospects for trade in the next few months, although the higher than expected January and February sales have made some store chains more optimistic.

Tesco, for example, yesterday began television advertising for fresh foods and will soon start advertising clothing and other non-food items.

Mr. Ian MacLaurin, Tesco's managing director, yesterday said he was "cautiously optimistic" although acknowledging that the immediate prospect for some retailers was bleak.

Most trade analysts now feel tht the large multiple chains are doing best in the current state of trade, at the expense of small shops. The big stores have the financial muscle to continue heavy price-cutting to maintain volume sales, although the effect of this on profits has still to be felt.

Rumbelows, the electrical goods chain owned by Thorn-EMI, reports that sales in recent weeks have been much better than for the same period last year. Rumbelows says there were signs of some pre-Budget buying but even without this, trade for consumer durables has been better than expected.

The John Lewis Partnership reports sales in its department stores for the week ending March 7, up by 12.5 per cent in value on the same week last year. Sales for the five weeks ending March 7, are up by 9.8 per cent, compared with a budgeted increase of 7.3 per cent.

Although some larger stores are doing well by aggressive marketing and price-cuts, the Retail Consortium believes the Budget will depress trade generally.

Retailers, however hope the Royal wedding will boost trade in summer and signs of an economic recovery will appear by autumn.

Retailers 'can aid inner cities'

MR. IAN MACLAURIN, managing director of Tesco, yesterday criticised central and local government planning for hampering the regeneration of derelict inner cities. He said the £800m being invested in development projects by retailers could play a key role in reviving Britain's inner cities.

But he claimed that the "problem was the delays in the decision taking process, the lack of co-ordination in the resources of the private sector, and the current economic conditions." All "have led to a situation which actively discourages effective investment"

Current account surplus falls £428m

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE UK has been in record surplus on the current account of its balance of payments in the last few months, but signs since last autumn indicate a possible decline in exports and a slower rate of fall in imports than last year.

Trade Department figures published yesterday show the surplus fell by £428m to £614m between January and February.

The volume of exports dropped by 3½ per cent, although after excluding the more erratic items (ships, North Sea rigs, aircraft and precious stones) the fall was 2 per cent.

The volume of imports rose by 8 per cent and, after excluding erratics, by 13 per cent.

Between December and February the current account surplus was £2.21bn compared with £1.76bn in the previous three months.

The visible trade surplus rose by £149m to £1.41bn because of a £250m increase in the oil surplus. This more than offset a £200m reduction in the surplus on finished manufactured goods (excluding erratic items).

The surplus on invisible trade (services, interest, profits, and dividends and transfers) is estimated at £806m between December and February, compared with £495m in the previous three months.

The surplus on invisibles is projected at £300m a month. This is higher than the monthly average in the final months of last year, as it takes account of increased Budget refunds from the EEC in the current quarter.

The terms of trade — the ratio of export to import prices — were little changed between December and February, compared with the previous three months. They dropped by 1 per cent last month, presumably reflecting sterling's weakness.

		Exports £m seasonally adjusted	Imports £m seasonally adjusted	Exports Volume seasonally adjusted 1975=100	Imports Volume seasonally adjusted 1975=100	Terms of trade *Unadjusted 1975=100	Oil balance £m
1979	1st	8,311	9,747	108.1	114.5	107.6	−217
	2nd	10,767	11,291	136.3	130.2	106.6	−233
	3rd	10,491	11,253	128.1	129.0	106.9	−172
	4th	11,118	11,893	130.1	128.9	103.5	−152
1980	1st	11,871	12,259	131.3	124.5	101.0	− 95
	2nd	11,915	12,235	128.4	125.8	103.4	− 11
	3rd	11,700	11,084	124.7	115.6	105.5	+157
	4th	11,890	10,621	126.7	110.2	105.3	+222
	Sept.	3,871	3,527	123.9	110.6	105.3	+ 39
	Oct.	3,943	3,437	125.5	106.9	105.2	+133
	Nov.	3,948	3,538	127.7	111.4	105.6	+ 54
	Dec.	3,999	3,646	126.9	112.4	105.1	+ 35
1981	Jan.	4,006	3,264	123.7	101.0	106.4	+210
	Feb.	3,833	3,519	119.5	109.2	105.1	+231

* Ratio of export prices to import prices

Source: Department of Trade

Engineering recession hits 1,334 apprentices

By Alan Pike

THE RECESSION in the engineering industry has led to more than 1,300 apprentices being made redundant.

This is particularly serious when intake is already low because of economic conditions.

The Engineering Industry Training Board's periodical Monitor showed yesterday that recruitment of craft and technician trainees this year is below 20,000. This is the lowest figure since 1973 and a 13 per cent fall on 1979.

By mid-January the Board knew of 1,334 trainees who had been made redundant. Of these, 466 were found alternative employment and the Board arranged continued training for a further 488.

The reduction meant places in training centres and colleges were under-used for the industry's first year off-the-job training.

Some centres, says the board, are "little more than one-third full." Their income depends upon fees per trainee, so many are in a "worsening financial position."

Federation criticises Budget disincentive

THE ABIDING impression of the Budget is of "continuing gloom and lack of incentive for any significant part of the working population," Mr. Anthony Frodsham, Engineering Employers Federation director general told the Chancellor yesterday.

A letter from Mr. Frodsham to Sir Geoffrey Howe said engineering employers felt the Government had fallen down badly on its managerial role of the public sector, "not least because we are ourselves so painfully achieving the changes in industry which your policies demand."

£20m gas pipeline contracts awarded

CONTRACTS worth about £20m for three pipelaying projects have been awarded by British Gas.

McAlpine Services and Pipelines will start work next month on 42 miles of pipeline linking Corbridge, Northumberland, with Bishop Auckland, County Durham.

The work, due to be completed in the autumn, forms part of the high-pressure transmission pipeline being built to handle additional supplies of North Sea gas.

John Laing is to lay 51 miles of 42-inch diameter pipeline from Hatton, Lincolnshire, to Peterborough, Cambridgeshire. This is to reinforce British Gas's transmission system to cope with increased peak supplies from the Rough field in the southern North Sea.

South African stake in North Sea oil exploration denounced

BY RAY DAFTER, ENERGY EDITOR

THE ANTI-APARTHEID Movement has attacked the Government for giving two South African companies a stake in the latest round of North Sea oil exploration licences.

Mr. Ted Rowlands, Labour MP for Merthyr Tydfil, an Opposition spokesman on energy, immediately urged the Government to reconsider the licences. Failing this, he said, he was sure a future Labour Government would revoke the concessions.

"It would be a national disgrace to allow South African interests to buy their way into our North Sea oil assets, especially when one recalls the role of South African companies in evading and breaching sanctions legislation against the Smith régime which was passed by successive British Governments," he told the Commons.

"It is even more reprehensible that we should allow such South African involvement at a time when the Government is whittling away its own controls over our national oil assets by reducing the powers of British National Oil Corporation."

The controversy over South African involvement in the licences coincides with the visit to London this week of President Shehu Shagari of Nigeria, whose country pressed for a complete oil embargo of South Africa.

Many oil-producing States, notably members of the Organisation of Petroleum Exporting Countries, have a voluntary ban on exports to South Africa, but there is no UN embargo.

In a report published yesterday the Anti-Apartheid Movement claimed that by granting the fresh licences the Government was allowing South African interests a stake in the North Sea with a "clear prospect" of a flow of North Sea oil to South Africa.

The movement recognised that the Government had guidelines which generally restricted direct exports of North Sea oil to member-countries of the International Energy Agency and the European Community. These excluded South Africa.

"With a growing stake in the North Sea, South African interests can both pressurise for a change in British policy and allow North Sea oil to be sold to countries within the guidelines, but then arrange for it to be re-exported to South Africa," says the report.

Two blocks have been allocated to groups involving South African interests under the seventh-round licensing programme.

One, operated by Burmah Oil Exploration in a Moray Firth block (21/27) involves Charter Consolidated, British subsidiary of the South African mining conglomerate Anglo American.

The movement said that other members of this Burmah consortium included State-controlled companies from three countries, Norway, Sweden and Holland, which each supported the idea of a mandatory United Nations oil embargo against South Africa.

* *South African Mining Interests Mome into North Sea Oil—Anti-Apartheid Movement, 89, Charlotte Street, London W1PD 2DQ: 30p.*

Monetary policy 'could become too tight'

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

MONETARY POLICY risks becoming too tight over the coming months, stockbrokers W. Greenwell warn this morning. But "too acute a squeeze could be avoided if the authorities allow interest rates to fall sufficiently rapidly."

The brokers, among the City's most influential monetary commentators, say: "While we doubt that the outcome of public sector borrowing in 1981-82 will be as low as the official forecast, the tightening of fiscal policy together with the measures to encourage saving in a less liquid form may lead the broader measures of the money supply to swing from one extreme to the other."

The brokers argue that, as in the past, it may be right to give a warning now about too tight a monetary policy in the future though the current problem is still excessive growth.

In another post-Budget analysis, the Liverpool Research Group in Macroeconomics, based at the city's university, says the Budget has put the medium-term financial strategy back on course.

OBITUARY

Prime architect of Ford UK

SIR PATRICK HENNESSY, who has died at the age of 82, was the prime architect of Ford of Britain's post-war expansion to its present position as the UK market leader and a major exporter of commercial vehicles and cars to Europe.

He died at his Theydon Bois, Essex, home close to the Dagenham plant with which he had been associated since 1931.

Sir Patrick—known as PH to his senior colleagues — was chairman of Ford in Britain between 1956 and 1968. When he joined the company as purchase manager it was making 25,000 vehicles a year. When he retired as chief executive in 1963 it had 60,000 employees turning out 670,000 vehicles a year.

Sir Patrick held the non-executive chairmanship for five more years.

Sir Terence Beckett, former chairman of Ford UK and now Director General of the Confederation of British Industry, as a man "of infinite resource and capability with an Irish streak of independence and mischief."

Sir Patrick was born at Midleton, Co. Cork, in 1898. He was an Irish rugby international and saw First World War service with the Royal Inniskilling Fusiliers. The gassing he received led him to seek to rebuild his strength in the foundry at Hnery Ford and Son, Cork—the first Ford factory to be opened outside the U.S.

His impact on arrival at Ford in England was almost immediate. He changed the previous horse-trading approach to the purchases of components into a science, bl breaking purchases into constituent parts.

It was an approach few suppliers could argue with, and made possible the launch in the mid-30s of the £100 car.

His Second World War service at Lord Beaverbrook's Ministry of Aircraft Production became a wartime legend. His efforts earned him his knighthood in 1941.

Sir Patrick became a Ford director in 1946. He developed the high speed diesels which eave Ford its early strength in the commercial vehicle and tractor markets. By 1948 he was managing director.

The first post-war cars, the Consul and Zephyr ranges, emerged in 1951. By the mid-50s the Anglia was on the stocks and Sir Patrick was preparing to entrust Sir Terence with the development of the Cortina, launched in 1963.

A strong family man, he had two sons and a daughter. His wife, Dorothy, died in 1949.

Independent companies attack TV in Welsh

By Robin Reeves, Welsh Correspondent

THE Independent Television Companies Association (ITCA) has warned that its 15 member companies are likely to be fighting off heavy losses in the foreseeable future, and that they have neither the resources nor the desire to finance the Welsh Language Television Service planned for the Fourth Channel in Wales.

In evidence to the Commons Welsh Affairs Select Committee, ITCA paints a bleak picture of the UK commercial television industry's future profitability.

It argues that the £15m or more that the ITV companies will be expected to contribute towards the cost of the 22 hours a week Welsh language channel in Wales is "an unacceptable further burden on the industry which will be fighting off substantial losses in the near future."

The Commons Select Committee is investigating the arrangements for the new channel in Wales. Under the Broadcasting Act, the Welsh Fourth Channel Authority's budget is due to be funded, like the UK Fourth Channel, out of all the ITV companies' earnings.

In the financial year to July 31, the ITCA memorandum forecasts overall earnings by the 15 ITV companies at £530m, compared with total costs of £434m. From the resulting £96m surplus it expects £52m to be paid in television profits levy to the Treasury, and £23m in Corporation Tax, leaving a net profit of £21m.

However, ITCA says there will be a "dramatic change" in ITV's financial position in the following year. This is because of the financial demands of the new Fourth Channel—due to go on the air late next year—and contractual obligations imposed by the Independent Broadcasting Authority when it renewed company franchises at the beginning of the year.

It predicts the IBA's new programme demands will cost an additional £22m. The total IBA rental bill will rise by £12m to as much as £50m, and companies' subscription towards the UK Fourth Channel will amount to between £60m and £80m.

Combined with other additional expenditures required by the IBA and the new Act, the memorandum estimates the ITV companies' outgoings will rise overall by about £125m. The revenue from advertising is forecast to be no greater than £50m in 1982-83.

UK NEWS

ECI hopes for a new lease of life

LAST THURSDAY's capital reconstruction of Stone-Platt Industries, the struggling textile engineering company, was just as important for its main rescuer, Equity Capital for Industry.

Like Stone-Platt, ECI hopes the package will give it a new lease of life.

ECI was set up in 1976 with £41m subscribed by 350 City institutions to inject equity into companies with a good long-term future but short-term problems which precluded them from raising capital through normal market channels.

By the end of its last financial year, to March 31, 1980, ECI had managed to identify only 10 such companies. It had invested less than £13m of its original £41m.

Two of its investments—Bond Worth, the carpet group, and Brittains, the speciality paper-maker—had gone into liquidation. Of its remaining investments only two were showing a profit.

Excluding the stake in Renwick, the motor distributor and travel agents sold at a price 50 per cent above the £700,000 book value, the total portfolio had a market value of only £8.5m. (Since then it has slid further to £8.2m.)

By last summer its founding institutions were debating openly whether to wind it up. They originally invested in it only under great pressure from the Bank of England as a response to the 1974 economic crisis.

The experiment seemed to have proved both that there was little demand from industry for emergency equity capital, and that it was difficult to distinguish companies with temporary injuries from those with fatal ones.

Mr. Alan Barrett, managing director, resigned and went off to manage one of ECI's troubled investments, Hawkins and Tipson, the rope and wire products group which has contracted from 14 sites to two.

Mr. Jim Findlay, his replacement, was recalled to Prudential Assurance which had seconded him in October, 1979. Lord Plowden, the chairman, did not believe ECI's credibility would permit him to recruit a managing director from outside. Mr. Brian Dean and Mr. Tony Lorenz were promoted to manage administration and investment respectively.

All this time ECI was working towards the rescue of Stone-Platt, which could become its largest single investment. Rationalisation problems within the company, management changes and hesitations among the company's bankers, kept dragging back the rescue date.

Two new investments had been identified, although ECI had long since abandoned its original passive brief and sought investment vehicles among 350 groups. By late summer it had injected £1m into Siltone, a private company which makes pumps for containers and lorries, and £250,000 into Thurgar Bardex, a private Midlands plastics extrusion group.

Company	Date of Investment	Book Cost	Present value
Bond Worth	Mar. 1977	£1.75m	Nil
Renwick Group	June 1977	£0.7m	Sold at 50% profit July 1979
UBM	June 1977	£2.7m	
	July 1979	£0.6m	£3.7m
James Neill	Mar. 1977	£1.9m	£0.74m
Brittains	April 1978	£1.5m	Nil
Andrew R. Findlay	Dec. 1978	£0.6m	£0.5m†
John Foster & Son	Dec. 1978	£1.5m	£0.16m
Hawkins & Tipson	Dec. 1978	£1.5m	£0.95m†
Dorada	Oct. 1979	£0.4m	£0.2m
GEI International	Nov. 1979	£1.5m	£0.55m
Siltone	Aug. 1980	£1m	£1m†
Thurgar Bardex	Aug. 1980	£0.25m	£0.25m†
Stone-Platt	Mar. 1981	£4m*	£3.2m*
TOTAL		£18.2m	£12.63m

* Maximum possible exposure under new equity package. Market value estimated on the basis of ordinary share price. † At directors' valuation adjusted from March 1980 balance sheet date.

The announcement that Stone-Platt was to get a £10m equity injection was a great relief to ECI. It will take up £2m of the new shares and is underwriting another £2m of the £7m open offer for sale of the special convertible preferred shares.

Since the market price of Stone-Platt's ordinary shares has fallen to 20p—5p below the subscription price for the new shares—it seems likely ECI will be called on to fulfil its underwriting commitment. The other institutional shareholders called on to sub-underwrite most of the rest are not eager to take on more than they must.

ECI's accounts will be able to show that £5.25m has been invested in the past year. Will that be enough to restore credibility?

Christine Moir looks at the prospects of an organisation set up to inject equity into companies with short-term problems

Clearly ECI is not certain of its future. Mr. Dean said last week the Stone-Platt deal might "extend ECI's credibility until the 1982 year end" (next March). He says a true reprieve will depend on a significant upturn in activity, and several more "good bet" investments.

The ECI board is doing all it can to suggest the upturn is not far away. It is about to appoint two new executives. It has created four regional advisory posts: Mr. Eric Sayers is to be Midlands adviser and Mr. Geoffrey Lavery to act in Yorkshire, seeking out companies. Two more are to be announced for Bristol and Manchester.

Institutional shareholders are regularly invited to lunches where hints are given of major companies being studied (one could be announced in weeks).

Most of all ECI is pinning its hopes on the depth and length of the industrial recession. It argues that for the first time since it was created the industrial environment could soon mirror the brief it was given.

Companies are suffering a much worse liquidity crisis than in 1974. With falling profits or losses and dwindling dividends, even the best cannot hope to win favour in the rights issue market.

When the dawn comes, these good companies will need swift injections of working capital which ECI could provide. That is how the argument runs. As Mr. Dean says, however, "at the moment, there is absolutely no sign of the dawn."

ECI continues to hang on in the hope of finding a role, possibly as a rights issue underwriter. Time may be running out, however, and its shareholders' patience may not last long enough.

Theory of investment analysis under attack

BY CHRISTINE MOIR

AN ATTACK was launched last night on the academic basis of Modern Portfolio Theory (MPT), the investment theory which has come to form the basis for professional investment strategies in the U.S., and which is winning supporters in the U.K.

Mr. Robert Clarkson, research actuary of Scottish Mutual Life, engaged algebraic battle with MPT supporters when he presented his own model for investment strategy—a Market Equilibrium Model—to the Scottish Faculty of Actuaries in Edinburgh.

More than 100 actuaries and institutional investment managers engaged in heated debate of his paper, which is certain to spark controversy in academic investment circles.

Modern Portfolio Theory is passionately supported in this country by the London Business School, by Wells Fargo Investment, a subsidiary of the U.S. bank set up especially to manage funds and provide investment advice on the basis of MPT, and by Rowe Rudd, the stockbroking firm which is to leave the Stock Exchange to concentrate on MPT analysis.

Mr. Clarkson called MPT "unrealistic," based on "no empirical evidence" and likely to distract an investor from those areas of analysis that will assist him in his pursuit of superior performance.

He believes it is "totally inappropriate" for the UK market and investment strategies based on it should have no place in managing a U.K. portfolio.

His own theory, he claims, complements the judgment of an investor undertaking fundamental analysis and allows him to use his own hunches to produce practical benefits.

Mr. Clarkson's own theory has already been criticised and his attack on MPT will produce defences from its supporters.

Whether the arguments will affect practical professional investors is another matter. Like the Oxbridge universities' English Departments' struggle between fundamentalist and structural approaches to literature, this dispute is barely intelligible to the layman.

The central tussle will be engaged over two lines of algebra, defined as MPT's Capital Asset Pricing Model or "beta" analysis and Mr. Clarkson's Market Equilibrium Model.

MPT rests on three principles—the Efficient Market Theory, the Capital Asset Pricing Model, and Risk Analysis.

The Efficient Market Theory says it is generally a waste of time to try to outguess the market in trying to select individual shares which the market has undervalued.

Twin finance targets trap councils

Robin Pauley discovers discrepancies of up to £30m in Government figures

DISCREPANCIES of up to £30m have been discovered between the two new targets which the Government has given to local councils for their expenditure *next year*. If a council hits one target, it is likely to be penalised for missing the other.

This unforeseen trap has resulted from the effects of two centrally - determined formulas which will provide different — and often contradictory — targets for each authority.

The first target is Grant Related Expenditure (GRE), the Government calculation of what a council needs to spend in order to provide a standard level of services.

But after the councils had been told their GREs, the Government introduced a separate control requiring them to reduce the volume of current expenditure by 5.6 per cent compared with the 1978-79 outturn.

Many councils have been given GRE figures which they feel could never realistically be achieved in one financial year.

Other councils are close to their GREs, and in some cases well below, but millions of pounds adrift on the volume target.

Many Tory shire county councils fall into the second category. The Environment Department is now trying to find a way out of the muddle over targets and penalties before the crucial county council elections in May.

Authorities which exceed their GRE will be penalised by losing a proportion of their Government grant. The amount of grant lost is proportional to the amount by which the GRE is exceeded.

Those authorities which exceed the volume target will also lose grant by a different formula, as yet undetermined.

One of the most glaring examples of the inconsistencies is in Southwark, London, where the target for expenditure suggested by the GRE calculation is 41 per cent lower than that set by the volume target.

In Dudley, on the other hand, the GRE target works out 20 per cent above the volume target.

LOCAL AUTHORITY SPENDING TARGETS 1981-82

Council	Current expenditure volume target £m	GRE (what the Government thinks a council needs to spend) £m	Percentage that GRE is above (+) or below (−) the volume target
	Adjusted to comparable base*		
Southwark	57.4	34.2	−41
Tower Hamlets	42.4	26.5	−38
Camden	47.5	30.6	−35
Islington	41.5	29.4	−29
Greenwich	33.5	24.0	−28
Lewisham	45.0	32.3	−28
Wandsworth	54.1	40.3	−25
S. Yorkshire	134.2	103.3	−23
Tyne & Wear	124.7	97.6	−22
Lambeth	61.3	48.2	−21
Newcastle	92.1	72.8	−21
Haringey	88.3	71.1	−19
Hillingdon	75.2	60.9	−19
Hammersmith/Fulham	38.6	31.5	−18
Manchester	179.0	149.0	−17
S. Tyneside	48.1	44.9	−12
N. Tyneside	55.8	49.8	−11
Richmond on Thames	44.9	39.8	−11
Hackney	40.2	35.9	−11
Dudley	62.0	74.3	+20
Oldham	58.0	68.0	+17
Sefton	73.6	85.5	+16
Shropshire	102.0	117.1	+15
Kirklees	91.4	104.3	+14
Bolton	65.9	74.9	+14
Trafford	57.8	65.2	+13
Leeds	170.0	192.8	+13
Cornwall	110.7	124.9	+13
W. Sussex	156.8	177.2	+13
Hereford & Worcester	164.9	184.5	+12
Solihull	49.5	55.1	+11
Wolverhampton	69.7	77.6	+11

* By repricing volume target figures to 1981-82 estimated outturn prices and eliminating from GRE's those items which do not count as current expenditure and adding back effect from specific grants margin *of error: less than ¼ per cent.*

The Government says the GRE figure is not a target and that it cannot be compared with the volume target figures because it is on a different base.

However if a technical adjustment is made to allow for different price bases and other factors, the figures can be made comparable.

They then both indicate sums which local authorities will regard as targets for the same categories of expenditure. These figures are shown in the table.

If shire district councils are excluded the GRE assessments for 19 authorities in England are more than 10 per cent below the volume targets.

Both South Yorkshire and Manchester could spend £30m more than the Government thinks is necessary (GRE) before they hit the penalty line on volume. But if they do they will be penalised by the other part of the pincer.

Another 13 councils would be more than 10 per cent over the volume target if they spent the amount the Government thinks they need to spend under the GRE.

Several councils, including prudent Conservative authorities which have always followed Government policy on targets and cuts, are angry about the inconsistencies in the figures coupled with the unfair treatment they think they are receiving under the new grant arrangements. They have ignored both sets of figures when setting their 1981-82 budgets.

They are also budgeting to compensate for expected penalties and for an expected reduction in grants which would be made if the total of local authorities' claims exceeded the total amount of grant available.

Vibra Screw must pay £10,000 into court

By Raymond Hughes, Law Courts Correspondent

AN AMERICAN company was yesterday ordered by a High Court judge to pay £10,000 into court "as security for its good behaviour."

The unusual order was made by Mr. Justice Parker in the Commercial Court after he found that Vibra Screw, of New Jersey, had broken a court injunction.

The company has been sued by Simon-Solitec, part of the Simon Engineering Group, over a 1975 agreement giving Simon an exclusive licence to market two Vibra mechanical handling devices —a bin activator and a screw feeder—in Europe.

On March 9 Simon was granted an injunction restraining Vibra from purporting to terminate the agreement, interfering with Simon's rights under it, granting conflicting rights to anyone else, or exhibiting products covered by the agreement at the Powtech '81 exhibition at the National Exhibition Centre in Birmingham last week.

Simon complained yesterday that Vibra had broken the injunction, and sought sequestration of the company's assets and committal of one of its senior employees.

The judge said that it was plain the injunction had been broken, although he accepted that the breach was unintentional.

In the circumstances he would not order sequestration or committal, but considered it necessary to have security from Vibra for its good behaviour in the future.

The judge continued the March 9 injunction, until full trial of the dispute, in an amended form.

Dispute over nuclear body's role delays £600m orders

BY MARTIN DICKSON, ENERGY CORRESPONDENT

DISAGREEMENT over the role of the National Nuclear Corporation in the UK's power station construction programme has again held up the placing of equipment orders worth more than £600m.

The orders are for components of Britain's two latest power stations—advanced gas-cooled reactor plants being built at Heysham in Lancashire and Torness in Scotland.

The contracts are being delayed because, since late last year, the Central Electricity Generating Board and the nuclear corporation have been unable to agree on the role the corporation should play during construction.

Hopes of a quick solution rose last week when the corporation board met to consider a form of agreement put forward by the CEGB.

But some board members are believed to have opposed certain aspects of the CEGB plan, which was turned down. Fresh attempts to bridge the gap are under way.

The corporation was originally supposed to be the main contractor for the stations' nuclear components. The CEGB argued that, because of the corporations' small capitalisation—just £10m—the Generating Board would not be able to get adequate compensation if a subcontractor failed to perform his work adequately.

To solve this, the two sides have agreed in principle that the corporation will become the agent of the Generating Board in any contract. It is the precise details of the agency's agreement and the degree of authority given to the corporation which are causing difficulties.

Ezra calls for more public investment

BY MARTIN DICKSON

SIR DEREK EZRA, the chairman of the National Coal Board, called last night for an investment-led recovery of the economy.

Sir Derek, the leader of the nationalised industries' chairmen's group, spoke amid increasing signs of Treasury opposition to an easing of Public Sector Borrowing Requirement regulations to boost investment spending by nationalised industries.

The Confederation of British Industry and the nationalised industries have urged the Government to allow higher public investment as a spur to economic recovery.

Sir Derek said the reduction in minimum lending rate announced in the Budget was a move in the right direction, but further encouragement to invest would be required if the 15 to 20 per cent fall in manufacturing investment predicted for this year by the Department of Industry was to be avoided.

"The last time investment contracted to that extent in one year was in 1930 at the worst stage of the Great Depression," he said at an oil industry dinner in Glasgow.

"The tragedy is that we may have the lowest level of capital investment at the very time when many responsible economic forecasters expect the recession to bottom out and begin the slow climb back to prosperity."

Boilermaking technology 'lost abroad'

BY RAY DAFTER, ENERGY EDITOR

GIBSON WELLS, the Leeds boilermaker, has called on the Prime Minister to help the development of fluidised bed combustion technology in the UK.

The company has warned that Britain's lead in the coal-burning technology was being eroded, and "we may be overwhelmed by our own technology from abroad."

Mr. Chris Wells, managing director, told the Financial Times that one of the big advantages of fluidised bed combustion was that it could use a wide range of coal. This should help the Government and the National Coal Board in their campaign to boost domestic coal production.

But in his letter to Mrs. Thatcher, Mr. Wells said the lack of available research and development finance, coupled with the general economic recession, meant that Britain's technological lead had slumped.

"Our young technology has been exported overseas, where buoyant economies stimulate more rapid development."

Camden Council hits back at rates criticism

BY GARETH GRIFFITHS

THE London Borough of Camden said yesterday that a ratepayers' report which described the council as incompetent was misleading and factually incorrect.

Camden last week announced a 43 per cent increase in its domestic rate to 161p in the pound and a 35 per cent increase in the business rate to 180p in the pound. This will take the average annual domestic rate bill up to £577, slightly below the council's earlier proposals.

In a reply to the Camden Commercial Ratepayers' Group report, The Cost of Camden, Mr. Frank Nickson, Camden's chief executive, said the report had failed to compare like with like and examples of particularly high spending on projects had been taken out of context.

Camden argues that its average domestic rate is similar to those in neighbouring inner London councils including Westminster and Kensington and Chelsea. The staffing of council departments such as planning, building and architecture has been cut and is to reduced further this year.

The critical report was published at the beginning of the month by Alex Henney, a former local authority chief housing officer.

Scottish help for unemployed

By Ray Perman, Scottish Correspondent

SIX SCOTTISH companies are seconding senior managers to a special unit being set up to find opportunities for young unemployed people to get work experience.

The unit is being organised by the Confederation of British Industry in Scotland and will work with the Manpower Services Commission to create new work experience places in private and nationalised industry.

"The youth unemployment problem is now clearly reaching a dangerous level," said Mr. John Davidson, Scottish director of the CBI.

"In this time of crisis, it is hoped that companies, local authorities, and public corporations will seriously consider participation in the programmes of the unit."

The unit will be staffed by six senior managers from industry who will be seconded by their employers for a year.

It will be led by Mr. Gavin Simpson, former personnel director of the knitwear firm Coats Paton, and Mr. Alec Telfer, director of administration for the Crawford division of United Biscuits.

Fraud Squad seeks FBI assistance

THE Fraud Squad has asked the U.S. Federal Bureau of Investigation to assist in its inquiries into Norton Warburg, a British investment management group which went into liquidation last week with an estimated loss of £4.66m.

Shareholders and creditors learned last week how Norton Warburg directors had used clients' funds to finance loss-making companies on both sides of the Atlantic.

About £2m of group funds is thought to have been transferred to the U.S. company T.F.A. Eletrasound Hollywood, a supplier of sound and lighting equipment, in which three Norton Warburg directors had an indirect shareholding of 49.5 per cent.

A statement of affairs prepared by accountants Robson Rhodes and Cork Gully says only £50,000 of this £2m is expected to be realisable. Mr. Rikki Farr, a director and shareholder of Hollywood, has a £88,588 outstanding loan from Norton Warburg Ltd., one of five group companies in liquidation.

Air base plan attacked

MINISTRY of Defence plans to spend up to £40m over the next few years to expand the airport at Stornoway into a major air base for UK and NATO use, were attacked at the opening of the local public inquiry into the scheme yesterday.

Owen leaps forward to welcome the newest recruit

By John Hunt, Parliamentary Correspondent

"THIS GOVERNMENT in my opinion has knocked the stuffing out of British industry. *It has created conditions* which have caused record levels of bankruptcy and have put hundreds of thousands of people on the dole queue."

The quotation came not from a rancorous Labour spokesman but was delivered from the Tory backbenches by Mr. Christopher Brocklebank-Fowler in what must rank as one of the most bizarre Alice Through the Looking Glass Budget debates of all time.

Who among the journalists at Westminster would have predicted a few weeks ago that they would be jostling one another to get into the Chamber to hear the somewhat obscure Tory member *for Norfolk North West?*

As he brought his swinging indictment of Government economic policies to a close, Mr. Brocklebank-Fowler announced that he was resigning the Tory whip and immediately crossed the floor of a hushed Chamber to join the burgeoning ranks of Social Democrats.

Much of the spontaneous drama which should have surrounded this event was lost because of the carefully prearranged and well-scripted way in which it was carried out. Not for nothing is Mr. Brocklebank-Fowler a director of a group of marketing and advertising whizz kids known as Creative Consultants Limited.

There was a brief flurry of activity with Dr. David Owen, Mr. John Roper and other Social Democrats leaping forward to shake the hands of the newcomer. From Mr. David Steel, the Liberal leader, there was a paternal pat on the back and even Mr. Russell Kerr, the Left-wing stalwart, offered his hand.

In fact, from the tone of Mr. Brocklebank-Fowler's speech, nobody would have been much surprised if he had suddenly announced that he was joining the Tribune Group. He seemed to think that the Government was inflicting hardships on the country undreamt of since the *seven* years of plague and famine descended on ancient Egypt.

If his indictment of the Government was Apocalyptic, his vision of what the Social Democrats could achieve seemed positively Utopian. They would, he predicted, develop a programme for national unity and renewal while on the international front they would help to solve the problems of poverty, malnutrition and disease.

Dr. Owen's new political pill, it seems, is expected to work wondrous cures rather like those old fashioned all-purpose elixirs which were supposed to cure consumption and in-growing toenails, and make you feel *ten years* younger into the bargain.

Although Mr. Brocklebank-Fowler was the star of yesterday's show, he had plenty of competition. There was a vintage performance from that leading wet Mr. James Prior, which connoisseurs will savour for years to come.

The Labour rotters had carefully managed things so that the Employment Secretary would have to speak on the last day of the Budget debate and be forced to defend a financial package much of which he is bitterly opposed to.

For 30 minutes he um'd and ah'd and tried to distract attention by making sporadic attacks on the Labour Party. Only in the last minute did things spring to life when, in one of those cryptic passages favoured by Tory rebels, he delivered a veiled warning to the Prime Minister and the Cabinet monetarists.

When decoded, the message seemed to be that there would be great trouble unless all the present suffering being heaped on the nation was seen to be "fully worthwhile" in terms of economic success.

Scarcely had Mr. Prior sat down than Mr. Norman St. John Stevas (C., Chelmsford), the recently sacked Leader of the House, was on his feet with a scholarly indictment of the Government's strategy. As usual, it was delivered with great intellectual polish with the odd quotation from his beloved Bagehot thrown in.

Unfortunately his advice that "man is a moral being first, an economic being second" was not heard by Mrs. Thatcher.

"The Beloved Margaret," who recently advised us from a church pulpit that "the creation of wealth is a Christian obligation," had not remained in the Chamber to hear the disputations of her former disciple.

MPs watch in stunned silence as Tory rebel crosses the floor

BY MARGARET VAN HATTEM, LOBBY STAFF

MR. CHRISTOPHER Brocklebank-Fowler yesterday left his seat on the Conservative backbenches to take up a place among the Social Democrats, thus ending his 11-year career as a Tory MP and bringing to a climax an extraordinary afternoon in the House of Commons.

Members on both sides of the House listened attentively as he explained why he could no longer support the Government, and watched in stunned silence as he crossed the floor to take a seat hastily vacated by Mr. Robert Maclennan, one of the Social Democrats. Mr. Maclennan, Dr. David Owen and other Social Democrats quickly clustered round the new recruit and solemnly shook hands.

The Chamber was already in a state of suppressed tension when he rose to speak. Mr. Norman St John Stevas, taking advantage for the first time of his new freedom as a backbencher, had made a restrained but damaging attack on the Government's economic strategy, followed by Mr. Enoch Powell's elegant but deadly demolition of Labour's economic spokesman, Mr. Peter Shore.

Mr. Brocklebank-Fowler's attack on the Government's economic policies was widely expected following his announcement last Friday that he would not fight the next general election as a Tory candidate.

And his move to the Social Democrats followed a plea during his speech for *proportional representation*, and an attack on the "fixing" of business by the Party whips.

The Government, he said, had knocked the stuffing out of British industry. Its dogmatic approach had exacerbated the problems caused by world recession and rising oil prices.

The social costs of its tough deflationary policies were totally unacceptable—he referred indirectly to weekend promises by Mr. Nigel Lawson, Financial Secretary, of substantial tax cuts before the next election. The Government's failure to meet its monetary targets virtually ruled these out, he said.

In particular, the Government had failed to distinguish between capital and current expenditure. Had it had the sense to boost capital spending—through labour intensive infrastructure projects—it would have escaped the current massive expenditure on unemployment.

The Government had reneged on many of its election pledges—not only on tax cuts, but also on electoral and parliamentary reform. "What the hell is this Government trying to do?" he expostulated.

He went on to attack the "eternal wrestling match" in Parliament where everything was fixed by the Party whips and in which "there are no winners except the promoters in the whips' offices."

And finally invoking Disraeli and his "one nation," Mr. Brocklebank Fowler announced his resignation and crossed the floor.

Mr. St. John-Stevas introduced his attack on the Government with a short preamble celebrating his freedom to speak out openly as a backbencher following the trauma of his sacking from the Cabinet.

He too invoked Disraeli, stressing his concern for social issues. He also provoked widespread laughter when he went on to praise the Chancellor for his "intellectual consistency, rigour—and courage."

Over the Budget itself, he confessed, he had severe doubts, particularly over the use to which revenues were to be put. The balance was being shifted from industry towards cutting the public sector borrowing requirement.

Mr. St. John-Stevas warned of the serious lack of demand in the economy, and of how Government policy was stifling the three potential sources of renewed demand, namely consumption, exports and capital expenditure by the public sector.

The Government was basing its whole strategy on a single set of monetary aggregates of dubious reliability. Inflation might, as the Prime Minister had said, be a moral evil—so was unemployment.

The loss of a job, he added ominously, involved humiliation and a loss of self respect, leading all too often to a career of vandalism.

Mr. Enoch Powell, in equally ironic vein, rose to praise the Opposition economic spokesman, Mr. Peter Shore, for his intellectual honesty and courage. "He did not shrink from posing, even in brutal form, the alternatives before the country."

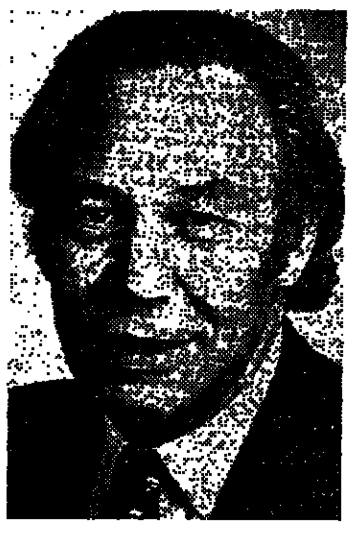
Mr. Shore, he went on, would set the country on a course of soaring inflation. The cost of his alternatives would be between £15bn and £20bn.

"He takes us back to our old friend Solomon Binding—immortalised in cement."

This was a reference to the "solemn and binding" contract negotiated under previous Labour Governments which, he said, had never succeeded in restraining wage demands.

Even if an incomes policy were to work as Mr. Shore optimistically suggested, he could not have it both ways—he would be destroying the very boost in inflation he aimed at to create employment.

"I don't accuse him of dishonesty, but his prescription would be to betray, cruelly, the country simply by delaying the inevitable."



Brocklebank-Fowler: attacked economic policies

St. John Stevas: stressed his concern for social issues

Specialist advisers critical of strategy

By Peter Riddell, Economics Correspondent

THE ALL-PARTY Treasury and Civil Service Committee of the Commons has recruited new advisers who are critical of the Government strategy for its forthcoming inquiry into the Budget and the public spending White Paper.

Mr. Brian Henry of the National Institute of Economic and Social Research and Mr. Paul Ormerod of the Economist Intelligence Unit have been appointed as specialist advisers for the course of this inquiry.

They will serve in addition to the committee's three existing advisers, Dr. Alan Budd of the London Business School, Dr. Paul Neild of stockbrokers Phillips and Drew and Mr. Terry Ward of the Department of Applied Economics at Cambridge.

Dr. Budd is, however, resigning as an adviser because of disagreement with the committee's approach to its advisers.

Both the new advisers are normally counted among the neo-Keynesian critics of the Government's approach and there will be none with monetarist views.

The latest inquiry is along the same lines as one conducted last year which led to a report which was highly critical of some of the key assumptions of the Government's medium-term financial strategy, notably the nationalised industry projections.

Oral evidence will be from Treasury officials tomorrow, and from Sir Geoffrey Howe, the Chancellor of the Exchequer, on March 25. Mr. Gordon Richardson, Governor of the Bank of England, has been invited to give oral evidence but no date has yet been fixed.

Prior calls on Conservative backbench dissidents to support the Budget

BY IVOR OWEN

WITH THE Prime Minister at his side, Mr. James Prior, Employment Secretary and the most outspoken critic of the Government's economic strategy within the Cabinet, last night called on Tory dissidents on the backbenches in the Commons to close ranks and support the Budget.

He promised: "We are in no doubt that today's sacrifices must be seen to be fully worthwhile in years to come."

Mr. Prior was repeatedly mocked by Labour MPs who accused him of advocating support for measures which he had earlier challenged in the Cabinet.

He hit back by charging the Opposition with calling for general reflation which was certain to lead to another bout of roaring inflation and plunge Britain into a new economic crisis.

At the same time the Employment Secretary offered reassurance to the Tory doubters by underlining the importance of ensuring that when the economy picked up everyone—"management, unions and Government" — responded in the right way.

He said that Sir Geoffrey Howe, the Chancellor, had introduced "a very tough Budget at a very critical and difficult time for our country."

To Government cheers, Mr. Prior emphasised: "I do not know of anyone who has realistically expected anything other than a very hard Budget in this year."

Nor, he claimed, had any informed commentator suggested that a hard Budget was not necessary.

It was also the case, Mr. Prior admitted, that a tough Budget was never popular and that it was certain to be particularly unpopular at a time of severe recession, especially among those associated with hard-hit industires.

With Labour MPs shouting disagreement he contended: "That does not mean that the vast majority of people in our country wanted or expected a reflationary Budget. They did not."

Mr. Prior argued that many people recognised that the changes needed in Britain's economy, including improved competitiveness, were taking place.

"I would not necessarily talk about a new realism, although that is what a number of people are calling it. I would say that there are many signs that the old realism is beginning to come back."

He instanced changes in working practices, a changed atmosphere on the shop floor and moderation in pay settlements.

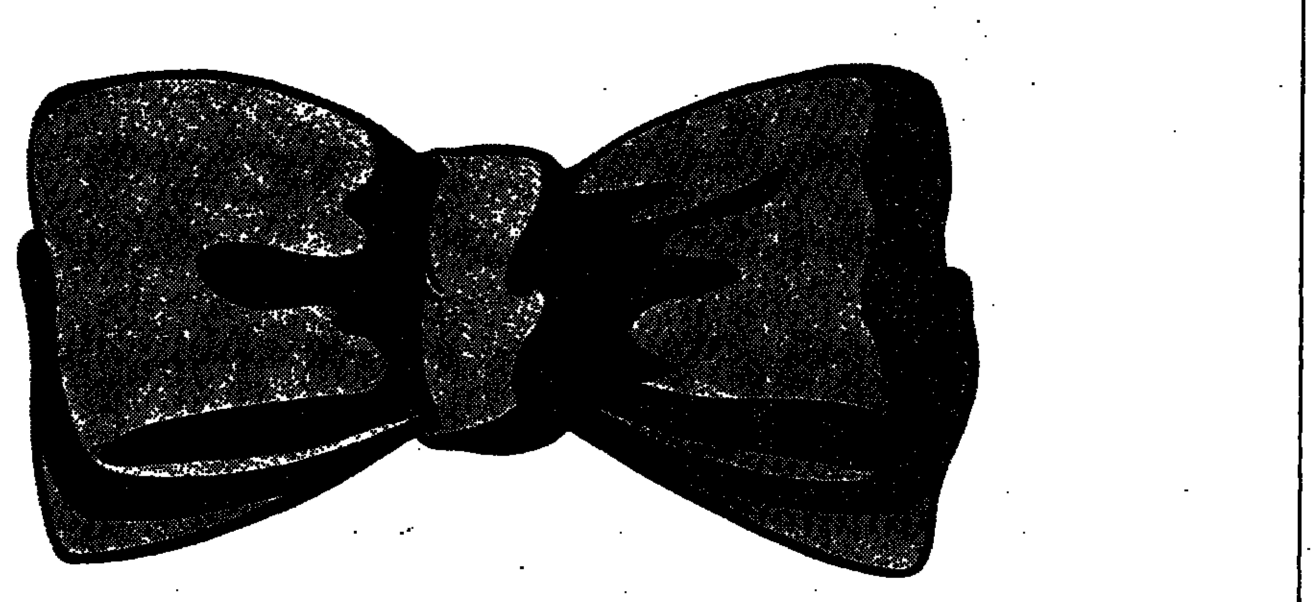
Amid Tory cheers, Mr. Prior warned that if the Government were to yield to such clamour, Britain's economic competitors would "run away from us."

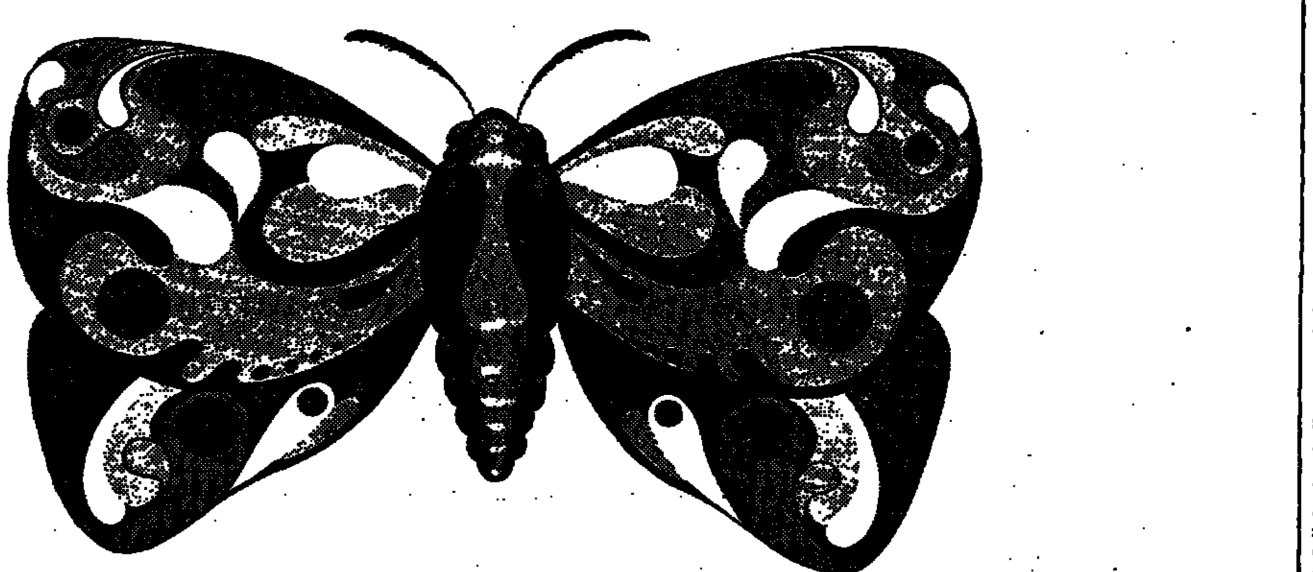
Mr. Prior acknowledged that it was right that the Government should give top priority to assisting British industry, but protested that the Chancellor had not received sufficient acknowledgement for the measures which had been taken

Challenged from the Labour backbenches to say whether he agreed with the 20p increase in the duty on petrol, Mr. Prior answered that it was wrong to single out one particular aspect of the Budget. In words clearly directed more to Government supporters than to the Opposition benches, he declared: "You will have to take the Budget as a whole."

Mr. Eric Varley, Labour's shadow Employment Minister, taunted Mr. Prior with having spent more than 30 minutes telling the House what he did not think about the Budget.

To the obvious discomfiture of the entire Government front bench he scoffed: "One would never think he was the same man who is one of quite a large faction who have been leaking their opposition to the very basis of this Budget to any journalist they can get their hands on."





Labour—'a party on the slippery slope'

BY JOHN LLOYD, LABOUR CORRESPONDENT

THE SUBJECT of this piece is a real character, though he remains anonymous. He is not a composite: he is not typical of Labour Party members, even in London.

He is a printer in Fleet Street, and though not qualifying for the largest servings of honey from that pot, his salary is considerably above the skilled workers' average. He does not own his own home (he rents from a housing trust) but does run a not-too second hand Rover.

There is no question, however, that until recently he saw himself, and to an extent was seen by others, as part of Labour's bedrock. He is class conscious, at times militantly so. He has spent much of of his working life as a lay union official, and was a father of the chapel (shop steward) on a popular daily for over a decade.

He has called for and supported stoppages and deeply dislikes much of the material his newspaper publishes. He was keen for years for the Labour Party to start its own daily and had worked out a scheme for sympathetic printers to print it free.

Both he and his wife are working-class East-enders, both the children of printers. However, this year, both of them rejoined the Labour Party with considerable reluctance: the secretary of their branch, an old friend and from the same roots as they, spent a Sunday evening with them, and it was late when she persuaded them to pay their £5 membership fees and hold cards once more. The branch secretary, who agreed with much of their complaint, later thought: we'll be lucky if we keep them in this year.

This reluctance was neither contrived (they were not playing hard to get) nor, to the secretary, surprising. The public split from the Right of the Labour Party, the decision at Wembley and the attempts to form a centre-Left grouping have acted as a catalyst for them: the events of 1981 in and around the party have less importance to them for their content, more as at once a pointer to an accumulation of fears and grievances and a spur to action.

In this, arguably, the man can *represent* a certain stratum, both within the party and among those who habitually vote for it. He partakes of common fears, shared grievances; his response to events may be intensely local in their effect—but it is an atom of a national phenomenon and may be (this is precisely the question), *may* be significant in aggregate.

But let us remain specific. His constituency, in East London, is as safe a Labour seat as any. It is held by a hard-working Right-wing MP.

Its general management committee is — as far as the MP is concerned — not so safe: there is a substantial far-Left minority, a Right-wing grouping largely, but not exclusively, composed of older members and a centre-Left element who, on most crunch issues, side with the Right (or with whom the Right sides) and who generally support their MP — but who could coalesce with the far-Left in preferring a leftist candidate come reselection time.

In the round of annual general meetings of the seven branches which make up the constituency, the Right/centre-Left made marginal net gains against a far-Left which had previously had superior organisation and tactics.

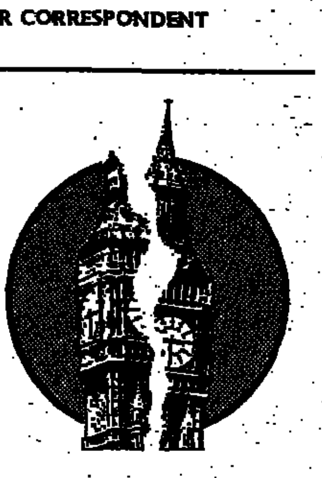
It did so, as the far-Left did, by turning out people to vote for branch committees and GMC delegates who would otherwise be largely inactive.

Yet for him and for others in his branch, this grinding and by no means decisive reversal of a trend did not represent a sufficient break with what they now see as a party on a slippery slope.

At his ward's AGM, he did not so much take satisfaction that its officers and delegates were uniformly Right/centre-Left as make it clear that he was at the end of his political tether.

In deeply felt and angry interventions, which found several echoes, he argued:

- that the party, locally and nationally, was dominated by people with whom he felt no fraternity and who, in many cases, had "come out of nowhere" to lay down the law to him and other long-serving members;
- that decisions taken in the past year on reselection, on the election of leader and (a hot subject locally) the possibility of mandation of councillors by GMCs were profoundly inimical to his view of how a parliamenetary democracy should flourish, and how individual judgment by elected representatives should be allowed to operate;
- that any "extension of democracy" in the party must take in all members, and not merely those who sat on the GMC: he trusted (he said) his own representatives but was afraid they could be swamped by others he did not know and did not trust.
- that the party was no longer seen to be an effective anti-Tory force, nor one interested in common people. His workmates, most of whom were Labour voters but otherwise uninterested in politics, were scornful of the "antics" within the party and quite likely to vote for a centre party—as he was.



POLITICAL REALIGNMENT

He went further: if things carried *on* as they *had* been, he would join any such grouping and work for it.

Others built upon his point. One, a councillor and a religious man, said the party had lost compassion, or at least appeared to have lost it. A few on the Left opposed his points, though without animosity.

Still others half agreed, but stressed the need to stay in the party and fight. Yet, though on an extreme, he had captured—for that meeting at least—the moral centre of these members, his comments acting as a litmus test on their own half-admitted tremors.

Perhaps the most important element, however, was unspoken, or only hinted at: It was class.

He possessed the authority of being a working class member of a party which had always claimed, and now claims vociferously, to represent that class's interests.

Yet he was speaking for that huge section which, though supporters of an avowedly radical party, is radical only in some things and conservative in many, which possesses a class consciousness at least as much offended by the young professionals active on the party's far Left as they are with the solid bourgeoisie with whose leaders he had haggled in countless red-eye sessions.

Tolerant enough of "progressive" lifestyles, he is horrified to see them become enshrined in party practice. Prepared to take a deep interest, at times, in political theory, he is revolted by calls to obey a party line or take a "loyalty oath."

For him and for others in the party, the assumption of positions of power within the party by young professionals, who often dislodged local activists whom he had known much of his life, was a sign that the party was slipping away from them.

When many of that new element then enthusiastically supported the cause of constitutional reform within the party, and some, supporters of Militant, pushed a line of hostility to the MP, councillors and party loyalists, they became either alarmed or disillusioned.

Some used it as an excuse to disengage from activity which they anyway felt to be a burden. Others, like him, became steadily more resentful.

That resentment, as he has admitted, is sometimes hard to defend. He has many things he would rather do than attend party meetings. Those he fears and dislikes have skills which they enjoy deploying in such forums.

But the hard fact remains that it is open to him to attend, and that he can hardly grumble if others more assiduous take the decisions to which they are entitled.

Further, he knows that in many branches of the party (though not his own) the generally Right-of-centre old guard who had run the branches had reduced "active" branch membership to a somnolent handful.

He can accept in principle the proposition that "the Trots," as the new activists are generically known, have at least stirred parts of the party which were dormant, though in practice he hates it.

He has threatened publicly to leave the party: he has held his fire, for the moment, in the not-too-sanguine hope that matters will improve. Now if the Social Democrats can mount a campaign which sets up sufficient resonance in his area, and if that is coupled with a series of reverses (as he would see them) in his party, then they might have a supporter at the grass roots.

But will they be able, from Westminster, to reach out to people like him? Will they generate a sufficient sense of optimism and purpose to override old loyalties and lifetime friendships? And if they did in his case, how many others would follow?

It is the conflict within the minds of people like this man that they must join — if they can.

Building workers reject 5.75% rise in November

BY NICK GARNETT AND JOHN LLOYD

CONSTRUCTION employers made a pay offer yesterday involving a five-month wage freeze followed by a rise of 5.75 per cent in November.

Under the proposals—rejected by union officials—the pay increases would coincide with the introduction of the 39-hour week promised in last year's negotiations.

Employers on the Building and Civil Engineering Joint Board, whose pay rates affect 600,000-700,000 construction workers, said the wage freeze was necessary "to give the hard-pressed industry a breathing space."

The employers, in response to claims of up to 25 per cent, said it would be "suicidal" for the industry to improve pay and conditions as requested while "*in the grip of the present crippling recession.*"

Unemployment was rising fast, companies were going out of business and many keep going, the employers said.

Workers would "have to choose between higher pay *and keeping their jobs.*"

Mr. George Henderson, Transport and General Workers Union national construction secretary, said his members were angered by the offer and would oppose it.

"Construction workers are saying to me that as we are *going to be on the dole anyway, we should make a fight* of it now. Calls have been received from all over the country for selective strikes."

For labourers and other *general operatives*, the offer would lift the current basic from £58.80 to £62.40, the guaranteed minimum bonus from £9.80 to £10.14, and the guaranteed minimum earnings from £68.60 to £72.54.

For craftsmen, the offer would raise the basic rate *from the current £69 to* £73.12½, the guaranteed minimum bonus from £11.40 to £11.89½, and guaranteed minimum earnings from £80.40 to £85.02.

Basic rates in London and Liverpool would remain ½p an hour higher. Plus rates *and other extra payments* which form part of an operative's regular pay would also be increased.

Observer sale consent sought

BY JOHN LLOYD AND JOHN MOORE

LONRHO, the multinational trading conglomerate, has filed with the Department of Trade its application for consent to its takeover of The Observer, Britain's oldest Sunday newspaper.

Lonrho has filed its application under section 58 of the Fair Trading Act. Mr. John Biffen, Trade Secretary, will review Lonrho's application and his decision will determine whether Lonrho's bid will be referred to the Monopolies and Mergers Commission.

A decision is expected this week.

Mr. Robert Anderson, who heads Atlantic Richfield, the U.S. oil group which wants to sell The Observer to Lonrho, yesterday met Mr. Biffen to outline his reasons for the sale.

Mr. "Tiny" Rowland, Lonrho chief executive, told print *unions yesterday that he would* invest £10m in The Observer over the next two years.

During a meeting which clearly delighted the senior officials of the unions, Mr. Rowland said discussions were going on with the management of The Guardian to print in on The Observer's presses. It is now printed by Times Newspapers.

He confirmed that Lonrho was "examining in detail" the possibility of a new London evening newspaper, and said he wanted agreements with the unions to expand the pagination of The Observer and the number of copies printed.

Mr. Rowland said he was *prepared to give guarantees on* editorial freedom, and would discuss the issue with the officials of the National Union of Journalists' chapel (office branch) at a meeting today.

When the Arco bid for Times Newspapers failed early this year, Mr. Rowland said, the Arco board took stock of the paper's position and found it had lost $20m-$30m without a return. They then decided to take up the option of offering it to Lonrho.

Philip Bassett reports on Government staff pay action

Civil servants switch targets

CIVIL SERVICE union leaders yesterday announced a new *package of industrial action* over pay. Customs officers at two South coast ports walked out on strike as part of the new action, disrupting the flow of cargo and passenger traffic.

Selective strikes at Royal Navy, VAT and Inland Revenue computer centres are continuing. But the Council of Civil Service Unions yesterday announced the ending of the Customs blockade of southern Ireland and the end of action both at the Government Composite Signals Organisation Centre at Bude and at airports which affected passengers at Heathrow and in Scotland.

In line with the unions' strategy to hit areas and then move on, the council announced new action affecting various government services.

Defence. Ten Professional and Technology Officers at Faslane naval base in Scotland stopped work on the alignment of missiles for Polaris nuclear submarines. At Plymouth, 14 PTOs at the Royal Naval Armament Depot stopped work on the maintenance of torpedoes, and 11 Professional and Technology officers at Gosport were taken out to prevent switching of the work from Plymouth.

Maintenance staff at Bovington in Dorset will provide only emergency cover for tank and defence bases in the area, and photoprinters at Coulport naval base will slow down information circulation.

Customs. The unions have switched their blockade from *Ireland to the South Coast*, involving ports at Dover, Folkestone, Southampton, Ramsgate, Pegwell Bay, Shoreham, Newhaven, Portsmouth, Weymouth, Poole and Plymouth.

Staff will work to rule, causing delays to import and export clearance, and passenger traffic will be disrupted without notice being given. Customs staff at Dover's Eastern Docks export freight shed walked out for 24 hours from yesterday afternoon, and passengers arriving at Weymouth from the Channel Islands found no Customs control following a walkout by 10 staff. Further action at airports will be announced later this week.

Companies House. Searches, normally running at 11,000 a day, have been stopped in London for a week. However, union leaders found people travelling to Companies House in Cardiff, which handles 1,800 searches a day, to complete searches, and so they yesterday pulled out 32 photoprinters at Cardiff. The Registrar of Companies then said that all searches would now be suspended until further notice.

Driving tests. Tests at six centres around the country were cancelled yesterday by strike action, and will remain closed for the rest of the week.

About 2,300 staff are now out on selective strikes and the unions yesterday put the cost in terms of strike pay (at 85 *per cent of gross pay) in last* week's action at very roughly £150,000.

Union leaders claim the voluntary levies of members are holding up well. One union, the Society of Civil and Public Servants, claims it alone has received £200,000 in levy so far.

Mr. Alistair Graham, ports co-ordinator of the Council of Civil Service Unions, said the strikes were not going to go away. "The Government must be very worried at the failure of its propaganda to dampen down our militancy," he said.

Trade between Eire and Northern Ireland was slowly returning to normal yesterday after the lifting of the blockade, which local customs officers claimed cost the Government £500,000 daily in lost levies and duties. Long tailbacks of up to 30 lorries were waiting at one stage on either side of the border to pass through Customs.

Staff in Liverpool, 10 of whom were threatened with suspension for refusing to work normally as part of the blockade, returned to work yesterday, after a local deal was worked out over those threatened.

The deal included a promise of no victimisation, that no extra staff would be brought in to deal with the backlog of work and that the threat of suspensions would be lifted.

Ford unions to discuss move to cut workforce

By Our Labour Staff

FORD UNIONS will meet on March 26 to discuss a suggestion by the company that it might cut its UK hourly-paid workforce by about 10 per cent a year up to 1985.

This would involve the loss of around 20,000 of the 55,000 hourly-paid jobs. However, Ford's policy is to keep the ratio of hourly-paid and staff at three to one, so white-collar jobs would almost certainly be equally affected.

Ford of Britain insisted yesterday that there was no plan or programme to reduce jobs. "The figure was just given as an indication of what might be necessary to become more competitive in order to survive."

But now the unions want the group to spell out its intentions more clearly and to state how it intends to achieve the job reductions. They will meet the management on March 27.

Labour turnover within Ford is now very low, particularly in the North-East. When the group asked for 2,700 voluntary redundancies last year, it received only 1,000 applications.

- Union leaders in Peugeot car plants in France, the UK, Spain and Portugal decided in Paris yesterday on common action against threatened redundancies and factory closures.

The unions have not drawn up *any specific action as yet.* But in their comments yesterday they singled out Talbot's Linwood plant in Scotland, which the French group Peugeot is planning to close later this year, affecting 4,800 workers.

Scargill pledge of 'invincible' miners' union

By our Labour Correspondent

MR. ARTHUR SCARGILL, the president of the Yorkshire miners and a candidate for the presidency of the National Union of Mineworkers, has promised that the union would be "invincible" under his leadership.

At the same time, Mr. Trevor Bell, the right-wing candidate for the post and secretary of the union's white collar section, COSA, has criticised Left-wingers on the union executive — including Mr. Scargill—for severely challenging the integrity and democratic procedures of the union.

The contest for one of the most powerful posts in the Labour movement is hotting up as Mr. Joe Gormley, the union president, reaches the retirement age of 65 next July. However, Mr. Bell said yesterday that he expected Mr. Gormley to retire earlier than that, some time within the next year.

Mr. Scargill, in his annual address to the three-day Yorkshire area council in Barnsley yesterday, told delegates: "The most important lessons to be learned from our recent conflict over pit closures is that the NUM can win virtually anything provided we are prepared to fight."

Naval dockyard workers agree efficiency plan

By Our Labour Staff

UNIONS representing about 20,000 industrial workers in four Royal Navy dockyards reached agreement with the Defence Ministry on an efficiency scheme which will increase pay by an initial £6-£8 a week from April.

The Ministry says the agreement is self-financing and will increase capacity by the equivalent of a small dockyard. It follows nearly three years of tough negotiations over bonuses and changes in working practices.

The agreement replaces existing bonus arrangements. Dock workers now earning maximum bonuses will receive a 10 per cent pay increase if they continue to earn the maximum after the scheme's six-month introductory phase.

The Ministry said yesterday the scheme aimed to streamline untidy bonus systems in Rosyth, Portsmouth, Chatham and Plymouth Devonport.

Efficiency payments could amount to 20 per cent. Another 15 per cent would be available under a productivity scheme. But the amount of new money would depend on present bonuses and on the results of a work measurement system.

Co-op staff study 7½% deal

WAGE NEGOTIATIONS for more than 100,000 Co-op workers have led to a settlement which, if accepted by the union members concerned, will be worth an overall 7½ per cent increase from May 4.

The rate for a Grade Five shop assistant will become £60.48 for a standard 39-hour week.

JOBS COLUMN

Need to ruffle public feathers

BY MICHAEL DIXON

IN TROUBLE again, I fear. It was deplorable of last Tuesday's Jobs Column to cast aspersions *on the pecking orders which* determine salaries in the public sector, declare half a dozen affronted readers.

Pecking orders also determine pay differentials in industry and commerce, these critics add with various degrees of vehemence. I am challenged *either to apologise* for the unwarranted slur, or to spell out what is bad about hierarchies in the public services that is not equally bad about their parallels in the private sector.

It is a challenge worth rising to, particularly since it has a bearing on the United Kingdom *Government's* approach to managing the economy. So here goes.

It is indisputable that pecking orders exist in both sectors. Nor can I see any way of preventing them from doing so. All that matters is whether or not they are appropriate. And the only sensible measure of their appropriateness lies to my mind in the overall worth of the service which the organisation concerned supplies to its consumers and financiers.

That is admittedly hard to measure. Nevertheless I think that an inappropriate hierarchy is *inevitably less likely to be* preserved in a business concern than in a public service.

In theory, of course, there can be no doubt of it. If the overall worth of a business deteriorates, its consumers and financiers can transfer their allegiance to competing businesses. And letting them do so is surely the most guaranteed way of going bust, even in a recession. So a business cannot afford to preserve its hierarchy at the expense of reducing the overall worth of its service, even though changing the pecking order will provoke a struggle with the unions. In that case, a business management is like someone threatened by an axeman at the edge of a cliff. To fight may well be self-destructive. To jump off, however, would be the ultimate folly of committing suicide to avert the risk of murder.

On the other hand, people really so imperilled at cliff edges do not always behave like their theoretical equivalents. Just before they spring into action, the thought is liable to occur that they might still be able to persuade the assailant to lay down his axe for the time being and discuss the matter *over a drink in the nearest pub.* And though he might resist the invitation initially, the natural tendency is for both parties to keep on bandying words regardless of the probability that the ground they stand on is meanwhile being eroded.

In practice

But there is more than theory to indicate that public-sector hierarchies are more sacrosanct than their parallels in the business world.

For one thing, the statistics suggest that higher ranked workers of the kind employed largely by industry and commerce are being thrown out of their jobs at a faster rate than are workers as a whole; and I see no grounds for thinking that the same is true among public-service staff. And while that by itself would be far less than conclusive, there is cogent evidence that important parts of the public sector are reacting to cuts in State spending by preserving their pecking order at the expense of depreciating their service to the people who *consume and finance it.*

Consider the publicly funded education service. Its main pecking order, reading from the top, is: universities, polytechnics, further education colleges, and schools. That order is so established that those roosting at each of its levels tend to regard their particular perch as a separate entity. But it is surely undeniable that, to the consumers and financiers generally, all the institutions are but sections of the same education service.

Now where the science teachers employed at each level are concerned, we have for years—as I indicated last week—been aware of a worsening difficulty. It is that the highest paid scientists in universities and the next best paid in polytechnics and the third best paid in the colleges, are likely to have fewer and fewer students to teach. The main reason is that there are not enough science specialists in the schools to provide a sufficient number of children with the scientific grounding which is a precondition of their being further developed by the science teachers farther up the hierarchy.

This process is not only *hazardous for a country whose* economic future apparently depends not least on the availability of a sufficient supply of manpower with the scientific understanding to exploit the new technologies. The process is also by definition a worsening of the education system's service to *its consumers and financiers.*

Since one of the causes of the problem is that the pay available to scientists in schoolteaching is appreciably lower than the pay available elsewhere, I have several times put to public sector officials a certain suggested remedy. It is to change the educational *pecking order* so that schoolteachers of sciences and other subjects in which schools are understaffed, have higher pay in relation to their counterparts in colleges, polys and universities.

My efforts have not met with any noticeable success. The *officials' response has usually* been to stare at me fixedly, and at times their fingers have strayed along the underside of their desk tops as though seeking the bell which would summon the white-coated attendants with strait-jackets and hypodermic syringes. On the odd *occasion when a verbal reply* has been given, it has been to the effect that if industry and commerce want more recruits with scientific training, let companies demand more public spending to pay for the employment of more teachers of science.

But even if companies could afford it, experience suggests that the extra public money would simply be distributed in accordance with the established, counterproductive pecking order—just as the reduced money available for educational pay awards is being distributed now.

Nor is that the only evidence of a blatant disregard for service to the consumers and financiers. Just over a month ago, the State's independent educational inspectorate reported that of the 104 local education authorities in England and Wales, *all* but a handful have apparently responded to the economies in public spending in the same debilitating way.

They have concentrated their economies on the kinds of expenditure which offer the least resistance. These include not just books, other equipment, and maintenance, but also supporting staff such as laboratory *technicians essential to effective* science teaching, and part-time teachers specialising in remedying children's deficiencies in basic skills. Moreover, most local education authorities seem to have failed to ensure that their schools retain the mixture of full-time staff quali*fied to teach different subjects*, which schools need to provide a balanced curriculum. Instead, the authorities have left what their schools can teach to be determined by the chance effects of so-called natural wastage.

Whether any authority has even approached the teachers' unions about the possibility of maintaining balanced curricula by means of compulsory redundancy, I cannot be sure. But I know of no single instance of such a redundancy among full-time teaching staff. As a result, the inspectorate found that schools are suffering from worsening deficiencies in their ability to teach even fundamental subjects. And now we have the vice-chancellors and principals of the universities implying that unless central Government overcomes its reluctance to take a hand in the direct management of public services, universities may soon be declining in the same way.

That is why I criticise public-sector organisations. Being insulated from competition and direct dependence on their consumers' and financiers' goodwill, they are under no immediate pressure to put the worth of their service before the preservation of their pecking orders. They show no sign of having developed managerial mechanisms which serve as a substitute for that pressure. The provision of such a mechanism is now a crucial need.

And that in turn is why this column endorses a comment made from the Opposition benches of Parliament the other day during the debating of the UK Budget. The remark came from William Rodgers who, perhaps significantly, now represents the Social Democrat party. It is nonsense, he said, for a Government to believe it can manage a mixed economy simply through the money supply.

Technical Page

EDITED BY ARTHUR BENNETT AND ALAN CANE

Micro chipmaker's new move

ZILOG, PART of the Exxon oil giant and seen as the last big contender to enter the microprocessor chip market a few years ago, has now moved into the totally packaged business microcomputer field.

The company claims that three-quarters of the microcomputers destined for business use employ the Zilog Z80 processor chip and so presumably saw it as a short and logical step to employ the chip in its own complete computer offering.

For a price between £5,000 and £6,000 the buyers will get computer with operating system, commercial Basic, visual display unit, double floppy disc, printer, application packages for accounting use and a year's free service.

The company is already active in appointing dealers throughout Europe and says it welcomes inquiries from competent microcomputer distributors.

The extent of the financial package supplied with the system is decided by the customer and can include payroll, sales ledger, invoicing, stock recording and data management.

Zilog is at pains to point out that what it is selling is not the "mix and match" kind of product offered by many microcomputer system suppliers but a fully integrated system: "Putting things together piecemeal is not what the customer wants" asserts Phil Pitman, a Zilog marketing manager.

Zilog (UK) is at King Street, Maidenhead, Berkshire SL6 1DU (0628 36131).

Less wear on the clutch

A self-centring clutch release bearing assembly called Centaline is being introduced by RHP Bearings of Knottingley, West Yorkshire (0977) 84121). It is claimed that Centaline's self-centring properties overcome clutch wear and efficiency problems caused by mismatch between an engine and gearbox and that the concept can be applied to nearly all clutch release mechanisms. Families of Centaline bearings will be developed to cover most car applications it is stated.

Elaine Williams launches an occasional series on the profits to be made from space

Space Shuttle: Key to a new industrial era

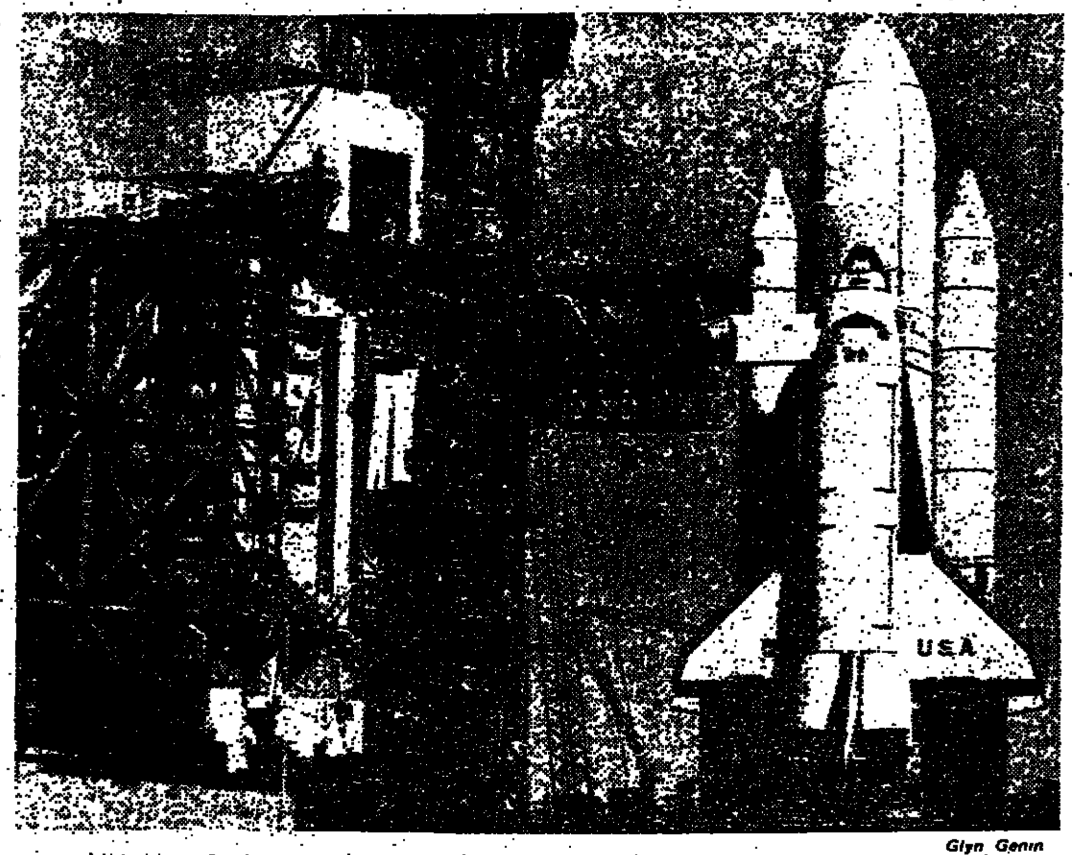
THE SERIOUS business of exploiting space is still in its infancy, despite the thousands of inventions which were spun off from the moon visits.

These range from rechargeable heart pacemakers to ball point pens that write in any position. But when the NASA Space Shuttle, now being made ready for its maiden flight at the Kennedy Space Center, is in service, new opportunities will be opened. Industrial companies will be able to run their own experiments in space.

Investment

NASA, the U.S. space agency, has specific projects, such as the "Materials Science and Engineering in Space" programme, to encourage companies to experiment with manufacturing in space to see if such work could ever be commercially viable.

There is also the Joint Endeavours project — here industry provides the experiments and NASA launches and runs them free of charge using the space shuttle. In addition NASA ensures that a company can use the product in any way it likes and can expect a reasonable return on investment. NASA only allows one experiment of a particular type so that companies have a reasonable amount of time to exploit their discoveries before their competitors catch up.



Glyn Genin

Nestling close to its launcher, the Space Shuttle waits on its Cape Canaveral launch pad

Last year, NASA commissioned a study to assess the value of space research to industry. It calculated the contribution of NASA expenditure to productivity growth rates of the national economy and found that over a 10 year period every dollar invested returned US$14 to the economy.

Even Europe, which has been less involved with massive exploration, thinks space a worthwhile investment. It worked out that for every £1 spent by the European Space Agency (ESA) in contracts, companies earned £3 in spin-offs. The ESA said there were grounds to believe that the "benefits secured are greater than the amounts that governments have invested in space research."

It has been estimated that industrial users of space could create 100,000 new direct jobs in the U.S. alone by the mid-1980s and nearly 2m by the year 2010. Indirectly the number could be two or even three times higher.

Spending on space projects including the Shuttle, has stimulated the economy, NASA says. It is, naturally, sensitive to criticism about the usefulness of space. "Dollars were not shot off into orbit when they might better have been spent on earth, as some critics like to say, but went to pay workers—more than 400,000 at the peak of the Apollo programme," it states.

In the early 1970s, NASA's budget was cut back and it cancelled two of its planned moon landings. The U.S. Government's decision was due to concern over the huge expense of the space programme. By 1971—at its peak NASA spent US$5bn a year—there was also the feeling that there was little to be gained, apart from the publicity, by men frolicking on another space platform.

The public and members of Congress felt that spending on space should be channelled into more useful ventures. Within NASA itself, efforts were concentrated on the immediately practical applications of space technology. But within the limits of its reduced budget, NASA tried to preserve some semblance of a manned flight programme after Apollo in the shape of the Space Shuttle.

The idea was to cut down the cost of launching payloads into space by using a vehicle which could be used time and time again. The Shuttle is designed to last up to 100 missions. It is initially launched into space by two huge booster rockets but coasts back to earth under its own steam.

Satellites

Using the Shuttle, satellites, which are very costly to launch conventionally, could cost as little as US$3m to go into orbit and it is expected that there will be a proliferation of new satellites in space once the shuttle missions get under way.

NASA was at pains to publicise its work and the benefits of space which directly impinged on the more mundane aspects of life.

It even set up a special division to help companies adapt ideas developed for space applications for use on earth. Called the Technology Transfer Programme, NASA aimed to increase the return on the money spent in space by "identifying new ways to employ aerospace technology and to make this technology more readily available to prospective users."

Some of the first applications to come out of this work was the development of quieter jets and more efficient wing designs for aircraft.

NASA became resigned to the view that space adventures of the future would not be headline catchers like the moon landings but would concentrate on projects such as ways to monitor earth's resources and techniques for harnessing the sun's energy.

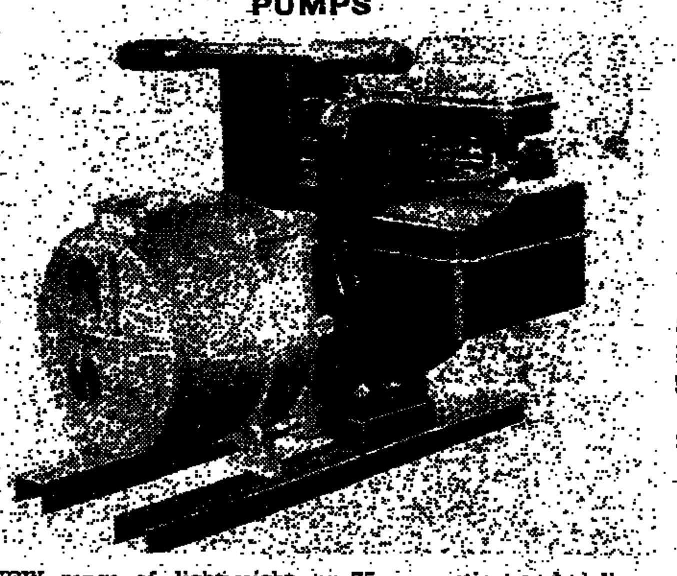
Under the sceptical eye of Congress, it set about the design and launch of satellites such as MARISAT — to provide good maritime communications—and a series called Landsat for monitoring crops and mineral deposits. It even drew up plans to build a power station in space which would collect energy from the sun and beam it to earth.

Already the space programme has produced new alloys and composites; long lasting power systems, miniature and reliable electronic components, physiological sensors for medical electronics, new drugs, highly sensitive fire detection, small sophisticated computers, new fabrics, high resolution cameras and better communications.

We are only just beginning to see the fruits of research from space exploration and it is hoped that industry will be able to participate more fully in future by running their own experiments. Over the next few months we will be looking at some of the areas where space research has had its greatest impact.

NEWS IN BRIEF

PUMPS



A NEW range of lightweight portable pumps is to be marketed by Sykes Pumps of Woolwich Road, Charlton, London SE7 7AP (01-858 8121).

They are of the recirculating self-priming centrifugal type and include three basic models for handling clean water. These are available with 40mm, 50mm or 75mm suction and delivery openings and fitted with either a Briggs and Stratton or Villiers air-cooled petrol engine. Called the M series, the new range also includes two models with 50mm and 75mm suction and delivery openings which have a solids handling capability of 25mm and 37mm respectively.

FIXES CLADDING

A RESTRAINT fixing system for thin wall cladding of marble or granite has been introduced by Harris and Edgar, 222 Purley Way, Croydon CR9 (010-686 4891) under the name Hemax 2000. It is used dry, without mortar backing or bonding or conventional flat and bent wire cramps. Instead, a specially designed angle clip and expansion anchor assembly are provided.

The only preparatory work necessary, says Harris, is the marking out and drilling of a 12 mm diameter hole to a preset depth to receive the expanding shell. Any inaccuracies in the site concrete or brickwork, or varying cavity widths, can be taken up by adjusting the anchor bolts. Slotted holes in the angle clip provide vertical and lateral tolerance. The fixing is made of stainless steel and bronze.

CATERING

A FREE kitchen-planning and general catering advisory service to the building trade will be introduced by G. F. E. Bartlett and Son, Hemel Hempstead, Herts (64242), at the London International Building Products and Services Exhibition which opens in the Grand Hall at Olympia on May 5. Bartlett, which manufacturers a range of commercial catering equipment, will recommend appropriate equipment regardless of origin.

REINFORCEMENT

OF EXTRUDED aluminium alloy, a new corner reinforcement device introduced by GKN Mills Building Services is claimed to eliminate the need to tie through the two walls at the corners of a large concrete building to minimise the abnormal deflection caused by the increased pressure at those points. Two of the devices, known as Aluma outside corner strongbacks, are clamped to the Aluma beam walers on each side of the outside corner.

The forms are then tied together with continuous threaded steel rod at 800 mm centres. The ties do not pass through the shutters or the concrete. The strongbacks are supplied in three lengths—2.75 metres, 3.81 metres and 4.88 metres—and have a serrated surface to increase their grip on the horizontal walers. More from GKN at Winchester House, 53-55 Uxbridge Road, London, W5. (01-567 3083).

QUALITY CONTROL

THE Welin Davit and Engineering Company of Brierley Hill, West Midlands (0384 78294) has extended its manufacturing facilities so that work to full quality assurance standards (Def. St. 05-04) can be carried out throughout its Brierley Hill works. This development, it is stated, will give uniformity in manufacturing standards for both commercial and defence contracts.

POLLUTION

DUE TO the increasing influence of pollution regulations there is a growing need to make volumetric measurements of effluents which in most cases are passing along partially filled pipes—preventing the use of meters which employ velocity measurements only.

The method of head measurement in an interposed flume can be used in such cases, but a permanent installation can be expensive in terms of building work and disruption to production of the plant which the drain is serving.

Overcoming the problem, the Environmental Division of Quantum Science, 27, St. George's Road, Cheltenham, Glos (0242 33220) has devised the QSDS packaged flowmetering system which can be installed in an in-line manhole in less than an hour without stopping the flow and without civil engineering work.

Four, six, nine and 12 inch bores can be catered for and a typical package consists of a cast plastic flume, an adaptor collar which can be fitted to the pipe by cutting with a knife, a connecting cable and a flowmeter that will operate from dry batteries for one year.

The relationship between research and growth

BRITAIN'S largest companies have had relatively little involvement in the fastest growing industrial sectors and a comparatively high level of participation in slow growth or declining ones.

A large proportion of the activities of those companies lies in the least research-intensive sectors.

This picture of UK industrial weakness emerges from a new study of more than 800 of the world's largest corporations in the non-communist world over the period 1962 to 1978. The report, by Professor John Dunning and Robert Pearce, both of Reading University, is due to be published later this month.

A more surprising conclusion is that worldwide industries with a high intensveness of research have not shown above-average growth, though they are still the most profitable sectors.

The authors found that in 1977 only 45 per cent of the sales of the top British companies were concentrated in the fastest-growing sectors. This compares unfavourably with many major competitors—the Italian companies had 88 per cent of sales in the top growth sectors, while German and U.S. companies had a penetration of 63 per cent and 66 per cent respectively.

Surprisingly enough, Japan's share in growth sectors is put at only 57 per cent but this is probably explained by the fact that, until near the end of the period, its big business was not involved in such sectors as office equipment (including computers) and measurement/scientific equipment.

The figure also cloaks the extent to which large Japanese industry has shown dramatic above-average growth in sectors which for the rest of the industrialised world would carry a low or average growth.

The authors found that more than a quarter of the sales of the UK companies were concentrated in slow growth or declining industries. This compares with the U.S.'s exposure of just under a fifth, 15 per cent for Japan and France and a minimal 4 per cent and 8 per cent respectively for Italy and Germany.

Reflecting the level of concentration in Britain, the UK was the largest European contributor to the overall sample, with more than 70 companies represented.

A limitation of the survey is that the industrial data does not take into account the activities of many smaller companies, which, collectively, can give a sector a different growth profile. For example, the study reveals a relatively unspectacular growth rate for electronics and electrical appliances during a period when expansion was nothing short of spectacular, notably within Japanese companies. Another limitation is the use of nominal growth rates, with no adjustment made for inflation.

Declining

Included in the study's growth sectors are petroleum, chemicals and pharmaceuticals, measurement / scientific/photographic equipment, tobacco and beverages, while the so-called "declining" industries include textiles, shipbuilding and rubber products.

On one point—the preponderance of activities in less research-intensive sectors—the UK is in a similar position to Japan. In contrast, the major U.S., German and Swedish companies are comparatively strong in highly research-intensive industries.

Emphasising their most surprising finding, that most of the highly-research-intensive industries recorded only an average growth performance (with the exception of petroleum), the authors point out that over the latter part of the period the performance of such industries was below par. Only the chemical and pharmaceutical sector consistently experienced higher-than-average rates of growth.

Although the highly-research-intensive industries only turned in an average growth performance, they were the most profitable of all the sectors (excluding aerospace and electronics/electronic equipment).

On profitability, the study finds that in 1978 U.S. companies recorded the highest rates of return on sales and assets. In Europe, the return was generally less than half the U.S. rate, although the authors caution that different accounting and tax conventions may account for much of the difference.

Of the total sample of companies surveyed, about 54 per cent were of U.S. origin, about a third European and 15 per cent Japanese. U.S. companies were generally larger than their overseas competitors—average size was $3.1bn against $2.7bn for all companies surveyed—although this superiority has declined over the past decade.

It points out that there are important variations in the industrial composition of different countries' overseas production ratios. For U.S. companies, the highest ratios were reported by the highly research-intensive industries, in which the U.S. appears to have a comparative competitive advantage. But in Japan they were in the medium or low research-intensive sectors where the home country was gradually losing its comparative advantage to the countries in which it was making its investments.

European companies, the study adds, tend to share the proclivity of U.S. companies to record the highest overseas production ratios in the highly research-intensive sectors (notably chemicals and pharmaceuticals). But the raw material weakness of some European and Japanese companies is also reflected in their above-average overseas production ratios in "resource-base" sectors such as petroleum, paper and wood products, and food.

**The World's Largest Industrial Enterprises*, Gower Publishing Co., Westmead, Farnborough, Hants. Price £27.50.*

Arnold Kransdorff

Repairing a threadbare venture

Rhys David outlines the rescue strategy for a carpet company

Hugh Routledge

Bill Davies: breaking out of a vicious financial circle

BILL DAVIES is a somewhat unlikely figure to emerge as saviour of part of Britain's conservative and close-knit carpet industry. A typically ebullient Welshman right down to his avid support for the national game, he began work 28 years ago, at the age of 15, with little formal education behind him, in the Whitehead Iron and Steel Company's works in his native town of Newport.

His education completed subsequently at night school and college, Davies has since made his fortune at the head of several engineering and steel companies in the West Midlands, and now enjoys all the trappings of wealth—a squire's house outside Stourport-on-Severn in Worcestershire, a chauffeur-driven Bentley, and expensive three-piece suits complete with gold chain.

His involvement in the conservative, and to a large extent still family-dominated, world of carpet manufacturing began when he was approached by the former joint managing director of Quayle Carpets, Jim Bennett, shortly after the Kidderminster-based company had been placed in the hands of a receiver in September 1979.

After several years of heavy losses and with the market still deteriorating, the bank had decided there was no prospect for recovery—and every danger that the £250,000 the company was looking for to carry on would be like throwing good money after bad.

Tying up

With very little knowledge of the carpet industry, Davies decided nevertheless that the business approach he had applied successfully in steel and engineering could give Quayle a new start: with associates in the Midlands and the help of bankers Singer and Friedlander, he put together a sum of £950,000 to buy the company from the receiver, tying up the deal in less than a month.

Quayle's forecast turnover in the current year is £3.4m—not far short of the figure achieved by the old company with five times as many employees. Funds borrowed from Singer and Friedlander to finance the acquisition have so far proved adequate.

The problems at Quayle, a company which was founded in 1931, go back to its failure to adjust to the decline in its original main business—rug-making. Sales of rugs—a more labour-intensive product even than the troubled woven carpeting sector, because of the extra finish required—fell sharply in the late 1960s with the advent of cheap wall-to-wall tufted carpets.

Quayle had stepped up woven Axminster production and had made only tentative moves into tufted carpets, but as the 1970s progressed it became clear that the labour force was too large for the volume of output.

Instead of reducing capacity, however, the company tried to secure higher volume with a disastrous move into the U.S. in 1977. A showroom was established in New York, but with the £ strengthening substantially during the life of the venture, Quayle found itself exceeding budgeted costs fourfold, winning only one-quarter of expected business, and incurring in the process, losses of £200,000.

The company was caught in a vicious circle. Rising overheads were resulting in reduced margins and forcing it to introduce price increases three or four times a year. This in turn reduced volume, driving up unit costs. In a bid to economise, product quality was downgraded by reducing the amount of yarn in each carpet, but this simply made it more difficult to sell in an increasingly cut-throat market place.

In the three years before the collapse Quayle's turnover remained at around £4m. The final year's total deficit amounted to £400,000 and followed losses of £250,000 in each of the two previous years.

A new part-time chairman was appointed early in 1979 and a start made on rationalising the company. But the cost of implementing the necessary redundancies had become greater than Quayle could bear by the summer, and with the bank declining to advance any further sums, funds simply ran out.

The £950,000 which Davies and his consortium paid for Quayle gave them two freehold properties—the main factory and headquarters in Kidderminster and a smaller warehouse and tufted plant a few miles away at Stourport—plus a range of carpet-making equipment, as well as goodwill and a substantial quantity of stock which the receiver was finding difficulty in selling.

Cushion

Ironically it was the stock that was a key factor towards recovery. In the run-up to Christmas in 1979—always a good season for carpet sales—liquidation of stock provided a cash flow cushion which enabled the new management to draw up its plan for re-organising the company.

Firstly, a decision was taken to close down the Kidderminster site and operate exclusively from Stourport, where management would have to be right in the middle of the works. Five days after taking over, the Davies team re-hired 70 of the original workforce, which at its peak had numbered 450. At the same time it was made clear to the re-engaged employees that the business would only survive if they were all prepared to work flexibly and abandon the industry's traditional restrictive practices.

The next move was to look very closely at the range of products. Its basic Axminster range contains a number of standard patterns in some cases dating back 50 years or more for which a continuing demand from within the UK is foreseen. These lines will be maintained, and some additions made, Davies states.

Annual turnover of only around £1m is expected from woven Axminster sales, however, with future growth coming from tufteds. Here, too, the company will not be chasing volume, but will concentrate instead at the top end of the market where advantage can be taken of Quayle's quality image. Wool—rather than nylon—is being featured in the company's tufted ranges, and yarns which can give interesting surface effects are being used.

Major changes have been introduced too in the way the company organises sales of its products to outside customers. Quayle's own outside sales-force has been disbanded and supplies to the domestic market are now channelled through an independent company, Quorum, which operates on a commission basis. The advantages of this system, which in carpets, at any rate, is highly unusual, have been immediately noticeable, Davies claims. Quayle no longer has to pay to keep representatives on the road.

Overseas and contract customers are similarly handled by another small independent agency, Acadian.

The central objective has been to create a much more efficiently run organisation and this can only be done, Davies argues, if all the relevant information is being made available throughout the company. With this in mind he has established an improved financial reporting system so that he can approach each department and present it with details of what it is spending, and the returns it is making.

The result, according to Davies, has been the development at all levels of a much more commercial approach to carpet-making. For example, because it can demonstrate the cost of individual designs "the production department is now in a much stronger position to resist pressure from sales for special lines."

Similarly, the sales force is under instruction to take orders only at budgeted gross margins and not to accept business simply to keep machines occupied. "We do not get excited if we lose orders, because we do not want them at just any price," Davies says.

Discounts

With this general approach to selling Quayle has consequently not been looking for big orders from the major carpet superstores which rely on very heavy discounts from manufacturers and on cheap imports for their bulk trade. Instead Quayle has concentrated on the remaining independent retailers, and the buying consortia which many of them now belong to. Even so some of the very big groups have shown a willingness, Davies claims, to buy on Quayle's terms, where it has the products they want, to fill out their ranges.

The Davies approach would perhaps not offer a solution to the problems of some of Britain's bigger carpet companies which have larger capacity to keep occupied, and a much more difficult problem in avoiding competition from low-cost importers. But Quayle does demonstrate that even in such a hard-pressed sector as carpets, the well-run company that finds its niche in the market can survive.

Help for movers

IF A company is considering a move and seeks information from a local authority, government body or other official entity, it faces a major problem in knowing how to go about finding it. Many towns, such as Swindon, actually have a different council name (Thamesdown in its case) and in other instances it is hard to know quite where places like Caradon, Kirklees, Nithsdale or Swale actually are.

Help is now at hand for the inveterate seeker after facts. Parrish-Rogers International has produced a booklet, The UK Business Relocation Handbook 1981, which gives details on almost everything anyone might want to know about councils and government bodies, especially phone numbers, names and addresses.

This is no mean feat. There are getting on for 600 local authorities in Britain and any number of different places to find the Department of Industry and Employment, British Steel, Inland Revenue, financial institutions and the NEB. The Handbook has them all.

The UK Business Relocation Handbook, 1981. From Parrish-Rogers International, Jubilee House, Billing Brook Road, Northampton. £15.

A high risk strategy

BY PETER RIDDELL

A LOT OF SOUND, fury and newsprint has been expended in the last week praising or, more frequently, condemning the Budget. But less effort has gone into assessing the risks involved and the chances of success or failure.

It is possible to develop two broad views of what may happen. First there could be a virtuous circle in which output recovers, unemployment rises more slowly and then starts to decline, the inflation rate remains in single figures and interest rates fall. Alternatively, there may be a vicious circle in which output continues to drop, unemployment climbs endlessly and the inflation rate starts to reaccelerate.

The choice is largely a matter of taste, education, prejudice and politics. Keynesians and monetarists will argue indefinitely about the differing impacts of a squeeze on disposable incomes from higher taxes and of lower interest rates. But judged on the Government's own terms it is possible to identify some major uncertainties which will determine the fate of the Budget.

Risks

There are, for a start, financial risks. The central aim of the tightening of fiscal policy in the Budget is clearly to permit a gradual lowering of interest rates this year. To this end the reduction in public sector borowing is being accompanied by a major funding drive.

The hope is to produce sufficiently "good," or at any rate acceptable monetary figures to allow MLR to be cut once or more over the next three or four months. But what are the risks? First, it is possible that like the last two financial years there will be a bulge in public sector borrowing from April onwards, particularly if spending overshoots. The pattern of expenditure and revenue may, however, be affected by the civil service dispute. Secondly, the growth in bank lending to the private sector may not slacken as quickly as hoped because of the continued squeeze on the corporate sector. So the money supply figures may continue to be too high.

The Government is pinning a lot on the decline in output coming to an end soon. The evidence so far is mixed. There are certainly signs that we are *approaching* the trough of the recession—for example in the balance of replies to business trends and opinion surveys and, perhaps most significant of all, in the indications of definite pick-up in the housing market and in the number of mortgage advances. But the timing of the turning point is still not clear, despite ministerial claims, and the strength of the recovery is particularly open to doubt. The issue largely turns on the scale of further destocking and on the level of consumer spending from the middle of this year onwards.

There is obviously a risk that by the summer and early autumn the monetary picture will still be murky and there will be no real sign of recovery. Yet it is just then that the Treasury ministers will want to point to some signs of improvement in order to persuade Cabinet colleagues to persist with the strategy and to agree to cuts in public spending to finance cuts in income tax. The nightmare view in the Treasury is that a combination of fiscal and monetary overshoot, by-election losses for the Government and a Cabinet row over economic strategy could provoke a real crisis of confidence in sterling which would be difficult to stem.

Optimistic

The risks should not be overstated. Most City analysts are, for once, optimistic about the monetary outlook and the Government has good grounds for believing that the upward pressures on public spending and borrowing of 1980-81 will not be repeated on the same scale in the coming year. The omens for output are also not all discouraging. The odds on the strategy's success are still long but they are not impossible. The problem for the Government is that *success* is still likely to mean unemployment of over 2½m, an inflation rate of near 10 per cent and a higher tax burden than when the Government came to office.

Using the screen as a training catalyst

FILM AND VIDEO

BY JOHN CHITTOCK

SOME TIME ago — in November 1979 to be exact — I had some rather hard things to say in this column about training films. At least one of the production companies responsible — Rank — took much of it to heart (while not necessarily agreeing), and last week held an interesting meeting of trainers and trades unionists to discuss the results of using one of these films, *Discord*.

The essence of my argument was, and still is, that British training films have become a rather tired species, reducing their messages to a synthesised formula which bears little connection with reality. Of the film *Discord* I said ". . . it more sensibly becomes a catalyst for use in a group discussion later. Nonetheless, it has none of the trenchant tension or emotional insight of another British training classic — *Dispute*."

Last week's discussion proved my point about its usefulness as a catalyst. This is how the film is being most widely used, and indeed how it served a valuable role last week in provoking a general discussion on industrial relations and training. Perhaps, unintentionally, last week's round table also proved my other point about the lack of trenchant tension — for, interestingly, the discussion which followed barely touched upon the content of the film. There were no fierce arguments attacking what Mr. A did in the film, or analysing the attitudes of the union negotiators represented in the film. The discussion became more of a general forum on training and industrial problems.

Now if *Discord* has been a more powerful film, one to deeply stir the hearts of viewers rather than their heads, I suspect our discussion meeting would have been dominated by the film. This has been the experience when general entertainment films, such as *Twelve O'Clock High*, have been used in industrial training.

There is, however, a contrary view among some trainers which says more or less that the learning content is more important than the form. Yet surprisingly, most of the conflicting views about training films are notional ones—based little on real research.

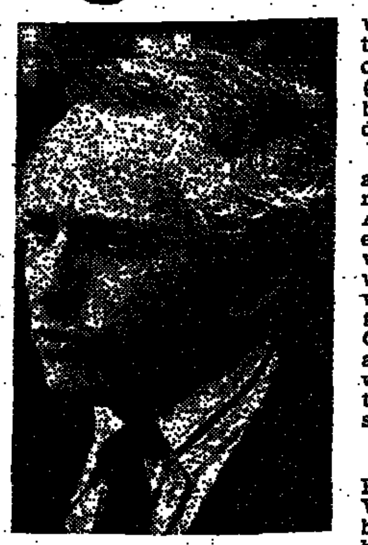
The most massive research project into training films was carried out by Pennsylvania State University between 1947 to 1955 and made various claims, of which some tend to support my own view. Namely (as summarised by Robinson P. Rigg in his book Audiovisual Aids and Techniques) "the learner must feel" from the film "an urge to learn . . . the subject matter must be presented in a realistic way," and of later research at Yale "the true role of audiovisuals was to maintain interest."

Obviously a film can stimulate and maintain interest most poignantly through the heart rather than the head. Where a training film lacks this quality, its success must rest solely on the intellectual commitment of the audience to the subject—less certain when the subject is one shrouded in suspicion, such as industrial relations, rather than elevated by the promise of reward, such as showing how to be a more successful salesman.

Perhaps this is why Rank's latest film, *After the Sale Was Over*, has been so warmly received by my colleagues in the Press. It has all of the ingredients—greater realism than is usual of recent films (although still short of that achieved in some all-time-greats), the promise of reward, and a good story line to maintain interest.

The promise of reward and the good story line come through the vehicle of a divorced and lonely salesman who overcomes weaknesses in his working style and at the same time finally succeeds in dating a woman executive who at first had rejected him. It is not compelling viewing, but better than so much these days.

Content, and only content, is the justification for a new video-cassette training series Managers in Law. Made and distributed by CST Training Services, this is little more than a videotaped lecture by Mr. Greville Janner, the QC and MP, whose personable style I fear is not enough to make this programme encourage the urge to learn.



GREVILLE JANNER
Charm is not enough

Commitment here must come almost solely from the viewer's need to know more on aspects of the law as it affects management. That may be powerful reason enough, especially since one of the titles in the series is *Handling Redundancies and Dismissals*.

After viewing this particular programme, I immediately thought of one man who might have saved his company some money had he viewed it a few months ago. But despite Mr. Janner's charm in presenting the facts (aided by some brief and very simple acted sequences), I seriously wonder why a video programme of this kind should be much better than a wall chart. I suspect the only answer is that the discipline of watching a screen brings undivided and uninterrupted attention to a linear process of learning; less easy to ensure with a book or a blackboard.

It is for reasons such as these that indifferent programmes which fail to utilise the power of the medium can still succeed, in spite of their failures. But how much better might they have been?

One of the things which clouds the issue, as the Rank-inspired discussion proved last week, is confusion over the intended and perceived purpose of a training film. Some films (like *Discord*) are admitted to be no more than stimuli for discussion.

But when the teaching guides are added, or the plastic summary cards (as accompanies *After the Sale Was Over*) trainers are liable to endow films with a skills training function when none really exists. Or worse, to confuse skills with techniques or attitude changing. Or most serious of all, to expect a training film to deal precisely with one or the other of these things, as if they were discrete, separable and unconnected.

* * *

Last week's news that the Philips UK launch of its Laser-Vision video disc system will be this autumn conceals a setback in the company's original plans.

At a Press conference in London last December, Philips presented a bullish and determined face on its plans to make the launch of the player go smoothly—with May 1981 the likely date. A spring video disc catalogue was to accompany the May launch, followed by a second catalogue in the autumn.

For suppliers of programmes ready for the spring launch this delay must also be an unpopular decision, uncomfortably similar to the delays that have occurred with the Philips V2000 video-cassette recorder.

Irish team is to be feared

RACING

BY DOMINIC WIGAN

ONLY the toughest and most dour stayers need be considered at Cheltenham today, where the ability to handle holding ground will be a necessity. Ireland's representatives are always to be feared at the Festival meeting: no more so than in the present conditions.

Slaney Idol, Anaglogs Daughter and Mountrivers got the Irish team off to a flying start on last year's opening day and the first batch from that country's 57-strong raiding party seems certain to yield a winner or two this time.

But one race I hope (and expect) to see elude them is the Waterford Crystal Champion Hurdle. Sea Pigeon ought to have the measure of the opposition unless, of course, the ground proves too much even for him.

If that situation arises, the prize will probably go to the five-year-old Heighlin.

Although David Elsworth's charge has been none too impressive since exposing Pollardstown as something of a plodder in Ascot's HSS Hire Shop Hurdle, I feel confident that the combined effect of this testing course and equally testing ground will see him back to his most formidable.

In the remainder of a 15-runner line-up (which makes this one of the biggest fields for the Champion Hurdle since the war) Daring Run interests me most. Certain to be in his element given the conditions, Daring Run has been making significant improvement in the past few months and last time out was staying on best of all when lifting the Erin Foods Champion Hurdle at Leopardstown on February 14.

Returning to the Irish challenge, either Another Story or Hartstown should get the near-60-strong raiding party off on the right note again in the Waterford Crystal Supreme Novices Hurdle. Here Fifty Dollars More will carry the bulk of the home hopes.

The recent write-up given to Hartstown in the Chaseform Notebook following a March 4 Leopardstown success over 18 opponents makes interesting reading. "He only needed to be given a few inches of rein to race ahead smoothly and won in the style of an exceptional horse." That will do for me.

CHELTENHAM

2.15—Hartstown***
2.50—Royal Dipper
3.30—Sea Pigeon**
4.05—Yellow Brass*
4.40—Kilkilwell
5.50—Pine Brook

TV/Radio

† Indicates programme in black and white

BBC 1

6.40-7.55 am Open University (Ultra high frequency only). 9.05 For Schools, Colleges. 12.42 pm Regional News for England (except London). 12.45 News. 1.00 Pebble Mill at One. 1.45 Pigeon Street. 2.00 You and Me. 2.14 For Schools, Colleges. 3.20 Pobol y cwm. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Secret Squirrel. 4.25 Jackanory. 4.40 Isla and the Farm on the Hill. 5.05 John Craven's Newsround. 5.10 Children of Fire Mountain.

5.40 News.
5.55 Regional News Magazines and Nationwide.
6.20 Nationwide.
6.45 Rolf Harris Cartoon Time (London and South East only).
7.15 Taxi.
7.40 Seapower.
8.10 When the Boat Comes In.
9.00 News.
9.25 Play for Today.
10.40 Omnibus (Stevie Wonder).
11.35 News Headlines.
11.40 Platform One.
12.10-12.15 am News Headlines.

All Regions as BBC1 except as follows:

Cymru/Wales—11.38-12.03 pm Dechrau siarad. 5.10-5.40 Bilidowcar. 5.55-6.20 Wales Today. 6.45 Heddiw. 7.10-7.40 Pobol y cwm. 12.00 News Headlines, News and Weather for Wales.

Scotland—10.38-10.58 am For Schools (Around Scotland). 12.40-12.45 pm The Scottish News. 5.55-6.20 Reporting Scotland. 10.40 Current Account. 11.10 Omnibus (Stevie Wonder). 12.05 am News and Weather for Scotland.

Northern Ireland—10.38-10.58 am For Schools. 3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 6.20 Rugby: The Schools' Cup Final (Ballymena Academy v Bangor Grammar). 6.45-7.15 Make Mine Country. 10.40 Light and Easy ... 11.30-12.25 pm Omnibus (Stevie Wonder). 12.25 News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds); Look North (Newcastle); Look North West (Manchester); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth). 6.45-7.15 East (Norwich)—Focus; Midlands (Birmingham)—Look Hear!; North (Leeds)—Hometown; North East (Newcastle)—Looks Natural; North West (Manchester)—Towards Tomorrow; South (Southampton)—The Getaways; South West (Plymouth)—The Attic Archives; West (Bristol)—Day Out.

BBC 2

6.40-7.55 am Open University.
10.00 Business World.
11.00 Play School.
11.25 Speak for Yourself.
2.00 pm Racing from Cheltenham.
4.50 Open University.
†5.40 King of the Rocket Men.
5.55 Maggie.
6.20 The U.S. Grand Prix West.
6.55 Mid-Evening News.
7.05 One Hundred Great Paintings.
†7.15 The Tuesday Western: "Rio Grande" starring John Wayne.
9.00 Pot Black 81.
9.50 One Man and His Dog.
10.30 Special Hospital.
10.55 Newsnight.
11.40 Cheltenham (highlights of today's races).

BBC2 Scotland only: 4.20-4.40 pm BZZZ (for children).

LONDON

9.30 am Schools Programmes. 12.00 Jamie and the Magic Torch. 12.10 pm Pipkins. 12.30 The Sullivans. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 Crown Court. 2.00 After Noon Plus. 2.45 The Mallens. 3.45 Barney Miller. 4.15 Dr. Snuggles. 4.20 Take a Chance. 4.45 Ace Reports. 5.15 Emmerdale Farm.

5.45 News.
6.00 Thames News.
6.25 Help!
6.35 Crossroads.
7.00 Looks Familiar.
7.30 Bognor.
8.00 Robin's Nest.
8.30 Janet and Company.
9.00 ITV Playhouse.
10.00 News.
10.30 A Turn up in a Million.
11.30 Paris.
12.25 am Close: "Sit up and Listen" with Johnny Morris.

All IBA Regions as London except at the following times:

ANGLIA

12.30 pm Out of Town. 1.20 Anglia News. 3.45 Looks Familiar. 6.00 About Anglia. 7.00 Life Begins at Forty. 11.30 Charlie's Angels. 12.25 am Pilgrim Ways.

ATV

12.30 pm Gardening Today. 1.20 ATV News. 3.45 Looks Familiar. 5.15 Diff'rent Strokes. 6.00 ATV News. 6.05 Crossroads. 6.30 ATV Today. 7.00 Emmerdale Farm. 11.30 ATV News. 11.35 The 1981 Butlin's Grand Masters Darts Championship.

BORDER

1.20 pm Border News. 3.45 Looks Familiar. 5.15 The Electric Theatre Show. 6.00 Lookaround Tuesday. 7.00 Emmerdale Farm. 11.30 Border News Summary.

CHANNEL

12.30 pm Gardening Today. 1.20 Channel Lunchtime News, What's On Where and Weather. 3.45 Looks Familiar. 6.00 Channel Report. 7.00 Benson. 10.28 Channel Late News. 11.30 Pro-Celebrity Snooker. 12.15 am Commentaires et Previsions Meteorologiques.

GRAMPIAN

9.25 am First Thing. 12.30 pm Simply Sewing. 1.20 North News. 3.45 Looks Familiar. 6.00 North Tonight. 7.00 Welcome to the Ceilidh. 11.30 Quincy. 12.25 am North Headlines.

GRANADA

1.20 pm Granada Reports. 3.45 Looks Familiar. 5.15 Diff'rent Strokes. 6.00 Granada Reports. 6.25 This Is Your Right. 7.00 Emmerdale Farm. 11.30 After All That, This. 11.40 The New Avengers.

HTV

12.30 pm George Hamilton IV. 1.20 HTV News. 3.45 Looks Familiar. 5.15 Heckling Here. 6.00 Crossroads. 6.00 Report West. 6.30 Definition. 7.00 Emmerdale Farm. 7.30 Bognor. 10.28 HTV News. 11.30 Police Surgeon.

HTV Cymru/Wales—As HTV West except: [illegible]

SCOTTISH

12.30 pm Gardening Today. 1.20 News and road. 3.45 Looks Familiar. 5.15 Traveller's Tales. 6.00 Crossroads. 6.00 Scotland Today. 6.30 Job Spot. 6.35 What's Your Problem? 7.00 Emmerdale Farm. 11.30 Late Call. 11.35 Kate Loves a Mystery.

SOUTHERN

1.20 pm Southern News. 3.45 Looks Familiar. 5.15 Betty Boop. 5.20 Crossroads. 6.00 Day by Day. 7.00 Emmerdale Farm. 11.30 S.W.A.T.

TYNE TEES

9.20 am The Good Word. 9.25 North East News. 1.20 pm North East News and Lookaround. 3.45 Looks Familiar. 5.15 Diff'rent Strokes. 6.00 North East News. 6.02 Crossroads. 6.25 Northern Life. 7.00 Emmerdale Farm. 10.30 Friday Live. 11.30 WKRP in Cincinnati. 12.00 Makers of Northumbria.

ULSTER

1.20 pm Lunchtime. 3.45 Looks Familiar. 4.13 Ulster News. 5.15 Cartoon Time. 6.00 Crossroads. 6.00 Good Evening Ulster. 7.00 Emmerdale Farm. 10.29 Ulster weather. 11.30 Bedtime.

WESTWARD

12.27 pm Gus Honeybun's Birthdays. 12.30 Gardening Today. 1.20 Westward News Headlines. 3.45 Looks Familiar. 5.15 Emmerdale Farm. 6.00 Westward Diary. 7.00 Benson. 10.28 Westward Late News. 11.30 Pro-Celebrity Snooker. 12.15 am Faith for Life. 12.20 West Country weather and shipping forecast.

YORKSHIRE

12.30 pm Looks Familiar. 1.20 Calendar News. 3.45 Calendar Tuesday. 5.15 A Touch of Fashion. 6.00 Calendar (Emley Moor and Belmont editions). 7.00 Emmerdale Farm. 11.30 The Jazz Series with the Ronnie Scott Quartet and guests Georgie Fame and The Blue Flames.

RADIO 1

(S) Stereophonic broadcast
‡ Medium wave

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.00 Andy Peebles. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.30 Dave Lee Travis. 4.30 Peter Powell. 7.00 Talkabout with Adrian Love. 8.00 Richard Skinner. 10.00-12.00 John Peel (S).

VHF Radios 1 and 2—5.00 am With Radio 2. 8.00 pm The Leading Ladies (S). 9.00 The Songwriters (S). 9.55 Sports Desk. 10.00 With Radio 1. 12.00-5.00 am With Radio 2.

RADIO 2

5.00 am Bob Kilbey (S). 7.30 Ray Moore (S). 10.00 Jimmy Young (S). 12.00 David Hamilton (S). 2.00 pm [illegible] ... Radio 2 [illegible]

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (continued). 9.00 News. 9.05 This Week's Composer: Fauré (S). 10.00 Hamish Milne piano recital (S). 11.20 Palestrina concert (S). 12.10 pm Midday Concert, part 1 (S). 1.00 News. 1.05 Six Continents. 1.25 Midday Concert, part 2 (S). 2.00 Bach and Handel harpsichord recital (S). 2.25 Test Match Special (Cricket: Third Test—West Indies v England). 4.55 News. 5.00 Mainly for Pleasure (S). 7.00 Two Rooms (short story). 7.30 Royal Liverpool Philharmonic Orchestra Concert, part 1 (S). 8.20 The Poetry of Allen Meynell. 8.40 Concert, part 2 (S). 9.30 Bach piano recital (S). 10.00 Conversations with Artists. 10.25 A Choral Sequence (S). 11.00 News. 11.05 Mary O'Hara (S). 11.15-11.30 Test Match Special (review of the day's play).

VHF—with Medium Wave except as follows: 6.55-6.55 am Open University. 2.25 pm Barbara Hendricks recital (S). 3.20 Composer's Portrait (S). 4.25-4.55 Jazz Today (S). 11.55-12.55 am Open University.

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping forecast. 6.30 Today, including 6.45 Prayer for the Day, 7.00, 8.00 Today's News, 7.30, 8.30 News headlines. 7.45 Thought for the Day. 8.35 Yesterday in Parliament. 9.00 News. 9.05 Tuesday Call. 10.00 News. 10.02 From Our Own Correspondent. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Thirty-Minute Theatre. 11.35 Wildlife. 12.00 News. 12.02 pm You and Yours. 12.27 Brain of Britain 1981 (S). 12.55 Weather, programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Wuthering Heights (S). 4.00 Studies and Shadows. 4.15 Mary O'Hara Sings (S). 4.45 Story Time. 5.00 PM: News Magazine. 5.50 Shipping Forecast. 5.55 Weather. 6.00 News. 6.30 Brain of Britain 1981 (S). 7.00 News. 7.05 The Archers. 7.20 Medicine Now. 7.50 Back to the Beach Head: Wynford Vaughan Thomas returns to Anzio. 8.35 Lord's Old Sweet Songs. 9.05 In Touch. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Cliche. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.03 Morning Star. 10.03 The Robbie Vincent Telephone Programme. 12.30 pm London News Desk. 1.00 The Tony Fish Food Music Show. 2.30 Tony Blackburn. 5.00 News. 5.15 Music on the Move. 6.30 Openings. 7.03 Black Londoners. 8.00 As Radio 1. 10.00 Question Time from the House of Commons. 11.00-5.00 am Join Radio 2.

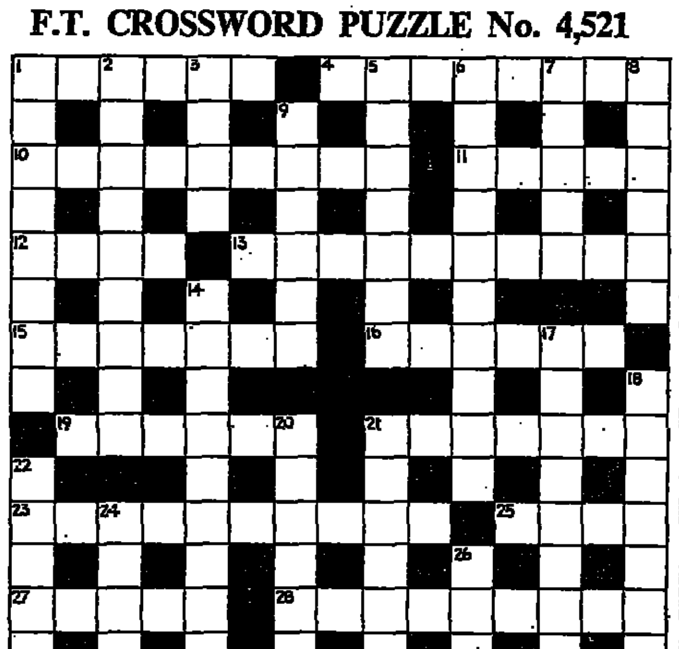
London Broadcasting

5.00 am AM: Bob Holness and Douglas Cameron. 10.00 Brian Hayes, live from The Ideal Home Exhibition. 1.00 pm LBC Reports. 3.00 George Gale's 3 O'Clock Call. 4.00 LBC Reports. 8.00 Nightline. 1.00 am Night Extra. 4.00 LBC Special. 5.00 Morning Music.

Capital Radio

6.00 am Mike Smith's Breakfast Show. 9.00 Michael Aspel. 12.00 pm Graham Dene. 3.00 Roger Scott. 7.00 London Tonight. 9.00 Nicky Horne. 11.00 Tony Myatt's Late Show. 2.00 am John Sachs's Night Flight.

F.T. CROSSWORD PUZZLE No. 4,521



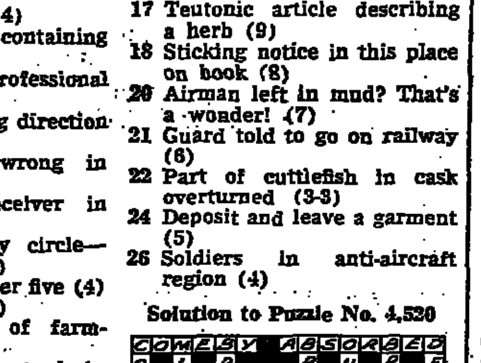
ACROSS

1 Open up start of banquet with fish (6)
4 Restrain one side in strike (8)
10 Attack that which is vulgar (9)
11 Scribble summons to evil leader (5)
12 A tool to choose (4)
13 Sugary loaf containing savoury food (10)
15 Object to professional examination (7)
16 Hooligan accepting direction in gutter (6)
19 My set's gone wrong in method (6)
21 Cut off audio-receiver in outhouse (7)
23 Sleep with family circle—seen on table (6-4)
25 Farewell drink after five (4)
27 Mackerel bait? (5)
28 Shot indications of farm-yard vehicle (9)
29 General dealer is to trade in credit (8)
30 Bird and fish decay (6)

DOWN

1 Missile launcher containing pipe and tube (8)
2 Sharp-nosed duck left plant (9)
3 Stick tin on middle of shelf (4)
5 Upset theatre on that account (7)
6 Man on board forced a passage right for uncle (10)
7 Nimble soldier in drink (5)
8 Makes alterations to me and finishes outside (6)
9 Fool turned up tin with intelligence (6)
14 Concerning exact edition that's limited (10)
17 Teutonic article describing a herb (9)
18 Sticking notice in this place on book (8)
20 Airman left in mud? That's a wonder! (7)
21 Guard told to go on railway (6)
22 Part of cuttlefish in cask overturned (3-3)
24 Deposit and leave a garment (5)
26 Soldiers in anti-aircraft region (4)

Solution to Puzzle No. 4,520



ENTERTAINMENT GUIDE

OPERA & BALLET

COLISEUM. S 836 3161. CC 240 5258. Until April 4 LONDON FESTIVAL BALLET Evgs 7.30. Mat Sat Mar 21 & 28 at 2.30. April 4 at 4.00. Until Mar 25: COPPELIA. Ton't: Hill, von Loggenberg, Hayworth. [illegible]

COVENT GARDEN. 240 1066. [illegible] THE ROYAL OPERA [illegible] THE ROYAL BALLET [illegible]

[illegible]

THEATRES

ADELPHI. [illegible] ALBERY. [illegible] ALDWYCH. [illegible] AMBASSADORS. [illegible] APOLLO. [illegible] ARTS. [illegible] CAMBRIDGE. [illegible] COMEDY. [illegible] CRITERION. [illegible] DRURY LANE. [illegible] DUCHESS. [illegible] DUKE OF YORK'S. [illegible] FORTUNE. [illegible] GARRICK. [illegible] GLOBE. [illegible] GREENWICH THEATRE. [illegible] HAYMARKET. [illegible] HER MAJESTY'S. [illegible] KING'S HEAD. [illegible] LYRIC HAMMERSMITH. [illegible] MAY FAIR. [illegible] MERMAID. [illegible] NATIONAL THEATRE. [illegible] NEW LONDON. [illegible] OLD VIC. [illegible] PALACE. [illegible] PALLADIUM. [illegible] PHOENIX. [illegible] PRINCE EDWARD. [illegible] PRINCE OF WALES. [illegible] QUEEN'S. [illegible] RAYMOND REVUEBAR. [illegible] ROUND HOUSE. [illegible] ROYAL COURT. [illegible] ROYALTY. [illegible] SAVOY. [illegible] SHAFTESBURY. [illegible] ST. MARTIN'S. [illegible] STRAND. [illegible] VAUDEVILLE. [illegible] VICTORIA PALACE. [illegible] WAREHOUSE. [illegible] WESTMINSTER. [illegible] WHITEHALL. [illegible] WINDMILL. [illegible] WYNDHAM'S. [illegible] YOUNG VIC. [illegible]

LONDON PALLADIUM. 437 7373. OPENING JUNE 11. Reduced price previews from May 29. MICHAEL CRAWFORD in the gigantic Broadway Musical BARNUM. ADVANCE SALES [illegible]

WINDMILL. CC. 01-437 6312. Twice nightly Mon-Sat. 7.0 & 9.0 pm. Sun. 6.0 & 8.0 pm. Paul Raymond presents RIP OFF! Hotter than ever for 1981. The erotic experience of the modern era. [illegible]

CINEMAS

[illegible]

CLUBS

[illegible]

ART GALLERIES

[illegible]

THE ARTS

Arts Theatre, Cambridge

Love's Labour's Lost

by ANTONY THORNCROFT

Love's Labour's Lost is the ideal Shakespeare for the Marlowe Society, the Cambridge theatrical troupe that gave Michael Redgrave, James Mason, Derek Jacobi, and Ian McKellen, among scores more, first chances. Written as a diversion for the gilded youth of Elizabethan England, it brings out the best in the current crop of young tyros. The brightly lit set is like a Salvador Dali painting, with two spikey trees sprouting from a green sward; the costumes are lavish and meticulous; Brigid Larmour's direction keeps the stage busy with attractive players for the most part speaking clearly and poetically.

This is a belligerently traditional production which finds strength enough in the play to justify a less than subtle but more than usually enjoyable evening. Even the sudden change in tone at the end, when the messenger announces the death of the King of France, fails to dampen the spirits for long. For *Love's Labour's Lost* is really an entertainment, a feast of word play, masque and song with no serious plot but plenty of opportunities for high spirits and cheerful repartee. To bring home the topical relevance of it all there is even a don, Richard Bainbridge, enjoying himself as the pedant Holofernes.

Among the student actors Paul Schlesinger is a lyrical Berowne, Adam Stone an effectively restrained Costard, and Paul Hartle a commanding Boyet. After an Inspector Clouseau tangle with his accent Stephen Fry grows to his immense stature as Armado. Good work all round, with a welcome absence of hamming from the actors and a perceptively light hearted production of a play which can get bogged down in its antiquated word play and through abstruse interpretation.

Elizabeth Hall

Bianca e Fernando

by ELIZABETH FORBES

Bianca e Fernando, produced at the inauguration of the Teatro Carlo Felice, Genoa, in 1828, is a revised version of Vincenzo Bellini's second opera, *Bianca e Gernando*, first performed at the San Carlo, Naples, two years before, when the Bourbon censorship had insisted on a change of title, as the use of Fernando, name of the hereditary prince of the Kingdom of Two Sicilies, was forbidden in royal theatres.

Neither version scored more than a modest success, though the second achieved 10 performances at La Scala, Milan and, confusingly billed as *Bianca and Gernando*, was also given in Naples and Sicily.

The concert performance at the Elizabeth Hall on Sunday night, presented by Pro Opera in association with the Donizetti Society, provided a welcome opportunity of hearing some unknown music by the Catania-born composer as well as several more familiar melodies: Bellini reworked several numbers for later operas, notably *Norma* and *I puritani*. Gilardoni's libretto, with additions by Romani, is in two acts. Bianca and Fernando are the children of Carlo, Duke of Agrigento, who has been deposed and imprisoned by Filippo. Brother and sister rescue their father, the usurper is overthrown, and Carlo restored to his dukedom.

Apart from the cabaletta to Bianca's first-act aria, which turns up hardly changed in *Norma* as the cabaletta to "Casta diva" and a vigorous finale, most of the best music is in the second act. Bianca has an expressive Romanza with harp and cor anglais ritornello, which is followed by a fine duet between brother and sister, and a chorus that Bellini later gave to the Druids in *Norma*. In the prison scene, Carlo's Cavatina has much pathos, while the trio that ensues when Fernando and Bianca, the latter dressed as a soldier, arrive to rescue him, has the authentic Bellinian hallmarks of style and melody.

The Pro Opera performance, conducted by Leslie Head, lacked much sense of drama. Australian soprano Sandra Hahn, making her London opera debut, sang with consistently sweet, pure tone as Bianca, but did not colour her voice expressively. Bruce Brewer, despite a recurrence of flu, coped manfully with Fernando's immensely high and florid tenor line and was the most stylish of the cast. Michael Lewis characterised the cardboard figure of the villain Filippo adroitly but, a baritone in a bass role, found some of his music too low. John Tranter sang Carlo's one aria with warmth and sincerity.

Elizabeth Hall

Jorge Bolet

Even before he has sounded a note, Jorge Bolet announces by his physical stature, his presence, large, impassive, and solemn, a pianistic senior statesman. Once revealed, his mastery of the instrument proves appropriate to the man, of a supreme and all but extinct kind — a mastery that can afford to view itself calmly, that can hold in resourceful reserve the massive full-mettled sonorities, the power and deep, brilliant finish, the high virtuosity that others less mature might more frequently be tempted to revel in.

His latest London recital, on Sunday afternoon was an unrivalled display of wise, serenely disciplined control. In the opening choice of works it was even possible to feel that the pianist was perhaps restraining his muse too thoroughly. The first prelude of the Mendelssohn Op. 35 set should surely evoke a fiercer, more turbulent E minor world than he allowed it to (at a tempo a good deal more ruminative than *Allegro con fuoco*); in Franck's Prelude, Chorale, and Fugue, unfolded with magisterial and temperate ease, each line finely rippled, each texture smoothly layered, tranquillity prevailed even where the very look of the notes on the page suggests passing Romantic flurry.

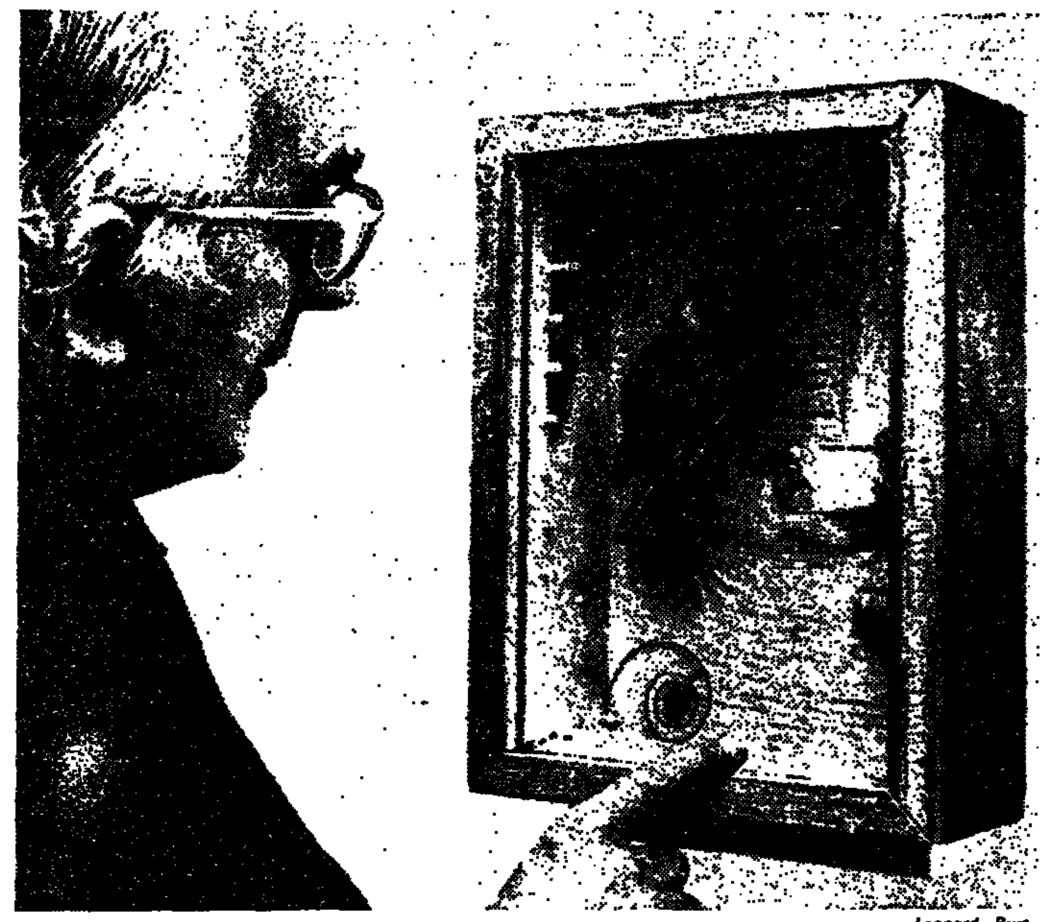
The glory of the concert was not so much here, or later, in the Chopin B minor Sonata (its sweep and deeply reflective stance flecked by minor imprecisions of varying importance); as in the ventures into virtuoso territory plainer and simpler. Bolet closed his first half with the Godowsky piano transcription of Weber's *Invitation to the Dance*, and his second with the Chopin *Andante spianato and Grand Polonaise*. In each, agility, delicacy, tonal depth, and speed were flourished like a great banner proudly unfurled; treated thus, virtuosity becomes a serious as well as an elating business. No less glorious the first of three encores, one of Liszt's *Petrarch Sonnets*, shaped in melodic arcs of boundless eloquence, the still centre of the musical poem raptly touched. Bolet's now-regular visits to London are a cause for rejoicing: for his art teaches something of rare value about the piano.

MAX LOPPERT

Whitechapel Gallery

The little boxes of Cornell

by WILLIAM PACKER



A visitor studies Joseph Cornell's Untitled (Palais de Cristal) Leonard Burt

Joseph Cornell is the second American artist of a certain seniority and reputation to be visited upon us within a month, and invested, like the somewhat older Edward Hopper, so close before him, with the full panoply of the America reputation-building critical machine.

The retrospective exhibition of his work that now occupies the major part of the Whitechapel Gallery (until April 12) is but a small version of the exhaustive, definitive exercise lately mounted by the Museum of Modern Art in New York, of which we get a fair idea from the lavish catalogue, with its several scholarly chapters on aspects of the master's work: Joseph Cornell the Mechanic of the Ineffable; his Cinematic Gaze; his Transcendental Surrealism.

But if such killing, overkilling enthusiasm is perhaps to be regretted, the purpose behind it is understandable, and even admirable. The art of the twentieth century, even in America, did not after all burst upon the world one fine day in New York in 1950, or thereabouts; and the acknowledgement and reassessment of the forgotten, the overlooked and the discounted, that has been current in criticism for some years past, are healthy and indeed most necessary developments. Artists such as Hopper and Cornell have been known abroad for many years, of course, but in general indirectly and by hearsay, more honoured in the reproduction, shall we say, than the observance. The Arts Council has done well by us in bringing the work of both these men to London.

In both cases the reputation suffers with the journey, though in Hopper we see at least an artist of some considerable force and personal achievement, for all his flaws and limitations. The most we can say of Cornell, however, as he stands revealed in his work, is that he is a minor and peripheral figure, a modest surrealist of particular but in the end repetitive charm and questionable achievement. The issue resolves itself into the question: in what degree are taste and discretion alone positive agents of creative decision?

For there is no doubting Cornell's good taste and meticulous judgment, disposing the objects, materials and images of the work with the utmost nicety and discretion: but how unambitious and complacent such activity is, once the few rules are established and the basic technicalities mastered. Collage is a seductive and deceptive technique, never failing in its solutions and possibilities, bringing whole worlds of enchantment and excitement to the scissors' ends of even the rawest student.

It is all so very easy, up to a point, and quite as dangerous: for with every image a winner, the point is lost, and imaginative engagement becomes the creature of a simple trick. The swan and the ball, the child and the flower, the owl and the pussy-cat—they all look so well together just so; or just so; or just so. The distinctions become blurred and less than crucial; and we begin to suspect there is no such thing as an uninteresting, an unsuccessful collage.

Cornell was familiar with the work of the European surrealists, and around 1930 found himself responding specifically to the collages of Max Ernst, those that exploit so gleefully the rich material and psychological opportunities afforded by Victorian engravings and illustrated magazines, overloading the inevitable odd conjunctions and shifts of scale with bizarre innuendo and disturbed, haunted sense of the past. He immediately tapped this same vein, and so continued throughout his life, remaining true to it in spirit, if extending the particular reference somewhat, and suppressing the general aura of violence and sexuality.

But he was already amassing all manner of cast off material, junk and ephemera, and it was no more than natural to extend the principle of collage into the real world by bringing together such disparate and variegated stuff into inconsequential but suggestive relation. Each constituent particle was possessed of its own aura, the sense of its singular and unknowable past; and so it is of the larger assembled sculpture, redolent of fragmented, strange and unknowable histories. He put groups of the things he had picked up into boxes, modifying them as necessary, perhaps including an element he had made to fit the purpose, the whole comprising a kind of tableau or presentation, as it might be a museum case, or a medicine cabinet, a cage full of stuffed birds, or a toy-shop window, or a stage—for the theatre, the ballet especially, was an abiding passion.

Trophies, memorabilia, collections of things, the conscious recollection of particular personalities and events, a sense of art history as a living imaginative force: all play their part on Cornell's little stage. We are touched by the ice that Marie Taglioni kept among her jewels, to recall the night she danced for her highwayman in the Russian snow; and we glimpse Lauren Bacall as we peer into the penny arcade, and Bronzino's princess among her balls and children's bricks. It is a tuppence coloured, penny plain world of paint boxes, jewel cases, dolls' houses and toy theatres, slot machines and games, cabinets of all kinds, and everything most certainly allusive and suggestive; and beautifully done, beautifully made.

But a ball is a ball, a lot of white balls a lot of white balls, a parrot in a cage a parrot in a cage, indifferently portentous the lot of them; and it takes I don't know what, but rather more than precious elevation, to invest them with real significance. For the hard fact is that despite the self-conscious, often arch collision of images, archetype and metaphor, the birds, eggs, clocks, springs, glasses, balls, bottles, dolls and the rest of them, and the scrupulous care that so obviously went in to their making, Cornell's sculpture remains merely the sum of its parts, and no more, each element discrete and interesting enough in itself for what it is. The real world is indeed full of wonderful and fascinating and beautiful things, and man adds to them constantly and with hardly a thought casting off a bit here, a bit there: a cork maybe, a spring, a bit of twig, a doll.

Joseph Cornell died late in 1972, at the age of 69, a conscientious and obsessive artist to the last. On the last day of his life he made what may stand as his epitaph: "I wish," he said, "I had not been so reserved."

Theatre Upstairs

Young Writers' Festival

by ROSALIND CARNE

The four short plays currently showing at this theatre are the cream of 330 submissions for the 1981 Young Writers Festival. One thing is clear—growing up cramps your style.

Perfect Pets by 11-year-old Susanna Kleeman is easily the most original of the group. The audience is transported into the traumatic universe of a family of guinea pigs. The bossy communist Boris, the tasteful Elvira and James and Grandma have been uprooted from "the great home" (a pet shop?), and thrust into a strange new place. They squeal and squabble their way through the unknown hay, remembering the delights of the old days, praying to the gods for manna. The gods, human of course, answer their appeals with a hail of fat seeds and leggo bricks. It is a crazily witty piece of writing that would do credit to a sophisticated 20-year-old.

Back with humanity, *Detention*, by Helen Slavin, aged 14, is a delicate depiction of calf love. The shy clever girl wangles a punishment in order to be alone with the boy she fancies. Leslie Manville and Joe Figg give entirely convincing performances as the teenage lovers, separated by desks and blushes.

The remarkable thing about both these plays is the sheer pace with which the spectator is hurled into the dramatic tension. There is no initial floundering, no vague and uneasy doubts on our part as to what the dramatist is trying to do. This is less true of the two plays by older writers. Each deals with a complex current of ideas in which the struggle for expression is often apparent.

Ltd, by Nick Davis, aged 18, is the more effective. A young student, John, shows open disdain for his dreary holiday job at the pie factory. He and the other students are resented by the regular workers, but gradually a trio of relationships develops between John, the cheerful, uneducated Mick, and Jenny, a "survivor." The experience is formative, each one's world is in some way touched, and the play ends on an uncertain note.

It is a neatly constructed work, deeply concerned with the use of language. John habitually defines and explains what appears obvious to the others: trained intellect versus good sense. At its worst moments, the characters are flat and unoriginal, at its best, the verbal interchange almost sparkles.

Start Again, by Tony Newton, aged 18, is the most ambitious of the four plays. The subject matter is mind-boggling—Steve's relationship with his depressed mother, her attempted suicides, his own two-year-old liaison with Jenny, Jenny's abortion, Steve's feelings for his father, father's attitude to Steve, and the break-up to the parents' marriage, not to mention the doctor's wife who murdered her first husband with a dose of cyanide.

It is tempting to believe Newton has simply taken on more than he, and indeed most playwrights, can handle. The result is a jumble of feelings and halting expression. Lines like "What shall I say?" and "I don't know what to say" recur, suggesting an author at a loss for words. The characters only become credible through the cast's own extra-textual flourishes.

Start Again and *Perfect Pets* are directed by Antonia Bird; *Ltd* and *Detention* by Jules Wright. The occasion is a triumph for the seven players, all professional actors, who switch with amazing versatility from role to role.

New version of 'The Seagull'

From April 2, the Royal Court Theatre will present Chekhov's *The Seagull* in a new version by Thomas Kilroy, directed by Max Stafford-Clark. The performance on April 2 also marks the 25th anniversary of the English Stage Company at the Royal Court.

Although Kilroy's adaptation of *The Seagull* closely follows the plot and the feeling of Chekhov's play, the action has been transposed to the West of Ireland.

Round House

Delphonic Ensemble

by RICHARD JOSEPH

One of the finest and rarest of this season's Arts Council sponsored Contemporary Music Network concerts turned out to be the last of the current series: on Sunday night the Delphonic Ensemble of Japan gave a wholly engrossing concert of traditional and recent Japanese music. This began their first tour of England, and their subsequent concerts should on no account be missed.

Three of the ensemble—Katsuya Yokoyama, Tadao and Kazue Sawai—established their credentials in the first half of the programme, which consisted of fairly popular old music for shakuhachi, kotos and shamisen. These performers are virtuosi of tact and of unobtrusive discipline, able to command the attention of the audience before a sound is played or a gesture initiated.

The concentration this traditional music aroused was naturally extended to the contemporary pieces played after the interval. Maki Ishii's *Search in Grey II* began with a series of well defined, precisely realised electronic textures. These were first enhanced and later supplanted by a percussionist. Though Sumire Yoshihara displayed a remarkably alert technique, her fast and loose realisation of the percussion part, which steers a cyclic and repetitive course around a fixed order of instruments, extended the tape material in either peripheral, or terribly literal ways. Some degree of structural interaction, of response and imagination, was lacking.

Un-En (Cloud-Mist) by Masaru Tanaka, composed in 1979, seems to me one of the finest new pieces using ancient instruments I have heard. The work is scored for two kotos, and it exploits their ability to subtly change or inflect tuning in an altogether idiomatic way. Opposing pitch structures, one atonal, the other microtonal, are gradually built up and articulated by a series of hieratic buzzing and slashing gestures, and obsessively repeated arpeggios. The structural premise is clearly modern, while its realisation sounds implacably timeless; a spellbinding work.

The concert ended with a piece by Joji Yuasa, one of Japan's leading composers and the director of the ensemble. *Maibataraki* is part of a longer, multi-media Ritual action Yuasa produced for the ISCM World Music Days in 1979. It is an almost entirely lyric and meditative work for shakuhachi and percussion (mainly tuned gongs) and it owed much of its impact to the intensity of Katsuya Yokoyama and Sumire Yohihara's performance. The work does not seem to me to be among the best of Yuasa's finely wrought small instrumental pieces: one hopes some enterprising promoter will take their cue from Sunday evening's full house and present more of this undeservedly neglected music.

Festival Hall

Das Lied von der Erde

Unlike many other well known conductors, Colin Davis has tended to steer clear of Mahler's music. So his performance of *Das Lied von der Erde* with the LSO on Friday night promised to be a fresh and unhackneyed view on one of this composer's most interpretively complex scores.

He had the advantage of two exceptional collaborators, Jessye Norman and Jon Vickers. Ms. Norman is not, unfortunately, the alto Mahler requires. She is able to sound all of the deep notes in her part without undue effort, but the soprano construction of her instrument means that the lower register around middle C, which Mahler favours, lacks the character and interest of her upper voice. A few high climaxes had a beauty and freedom most altos cannot muster, but the main working range of the songs lacked tonal variety. Her broad, unruffled phrasing and superlative diction went some, but not all of the way towards making up for this difficulty.

By contrast, the fiendishly high register of the opening tenor song held no problems for Mr. Vickers. Addressing his audience with the eagerness and confidence of an experienced public orator, he sang each of the many high As and B flats absolutely securely, and was always audible in the most brilliantly scored passages. In the quieter songs he edged slightly ahead of the conductor's beat, seeking tempi that would allow him lighter, freer articulation. Mr. Vickers looked relaxed and rather pleased to be on the Festival Hall platform; one hopes he will return frequently, since his is undoubtedly the finest tenor to be heard in this music for many years.

An interpretation of *Das Lied* that avoids syrupy Viennese rhetorical devices and substitutes instead a restless, questioning objectivity is defensible, even welcome. But problems of ensemble and balance hampered the full realisation of Mr. Davis's intentions. Mahler's orchestration of the contrapuntal lines in the second song is brilliantly clear, but by emphasizing the held bass notes Davis reduced this carefully wrought heterophony to an impressionistic wash. The fourth and fifth songs lacked completely thought out tempo relationships, so that Mahler's prescribed fluctuations of pulse sounded fitful and inappropriate.

Though the LSO produced much first rate solo work, internal ensemble between high and low woodwind, and between strings left and right was far from secure, resulting in imprecise chording and ill-judged balances.

RICHARD JOSEPH

Sadler's Wells

Landscape

The latest arrival in the Rambert repertory at the Wells is a piece so determinedly English that it could serve as a Tourist Board poster. *Landscape* is Richard Alston's response to Vaughan Williams' *Phantasy Quintet*, music very much of its time (1912) in its response to folk-song, and rather too clean-limbed for my taste. The setting, by Peter Mumford, is a sepia photograph of a corn-field and trees, under a cloud-streaked sky. Enter Michael Clark, in earth-coloured trousers and paler-hued shirt, setting out a contemplative solo marked by the arc of his outstretched arms and long extensions of his legs.

The action is taken up by four girls and two more men. The girls do everything that one might anticipate, given their dull outfits of dirndl skirts and blouses and the drenched pastoral air of the enterprise. They have a tendency to leap. So do the men. The result is a decently made mood-piece, but—considering the nature of the music and the location—one altogether too predictable. The case is over-stated: so much lyrical 'Englishry' is only allowed to maudlin expatriates.

The choreographic manner is a development of the cool, unemphatic (though not untheatrical) style which Alston evolved in such pieces as *Soft Verges* and *Wind Hover* in the early 1970s. It has here been softened by exposure to the music's dewy innocence; it is not, I suspect, best suited to such atmospheric wallowing.

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Self-regulation at Lloyd's

LLOYD'S private Bill of Parliament for improving self regulation within its insurance market, its first major legislative change in over 100 years, has attracted considerable criticism both among Lloyd's own members and among MPs.

The Bill, as presented to Parliament last November, was drafted by Lloyd's committee within six months of the committee taking delivery of Sir Henry Fisher's report which examined Lloyd's self regulatory systems. The report, which found Lloyd's system of self regulation wanting in many respects, forms the basis of the new legislation.

Antiquated

There was need for Lloyd's to deal with the question of its self regulation with some dispatch. The main Lloyd's Act of Parliament dates back to 1871. This, and the supplementary legislation, the most recent of which was in 1951, are antiquated and largely unworkable.

As commercial and competitive pressures were mounting in the Lloyd's market, so standards of market practice were declining. In a market which has strived to support the entrepreneur, the freedoms were often being abused. When those freedoms were abused the only legislation which could be turned to was that suited for a market composed of the 700 private members of the 1870s rather than the near-20,000 members of the present day.

Framework

Faced with growing disputes, and occasional scandal, Lloyd's had to act swiftly to create a framework which could be used effectively to bring order into the market. The legislation before Parliament, which is due for a second reading debate in the next few weeks, seeks to create the disciplinary framework which Lloyd's badly needs.

While Lloyd's has commendably addressed itself to this important matter, other fundamental issues affecting the market's future have been left unclarified and uncodified. What Lloyd's has been seeking in its new legislation is an enabling Act which will allow a new Lloyd's council, complete with its disciplinary framework, to implement any further changes by bye-law.

This, Lloyd's has argued, will allow flexibility and time for more reflective argument by the new council over such key issues as whether insurance brokers should divest themselves of the right to manage underwriting agencies.

As far as the current bill is concerned, Lloyd's has shown some signs of responding to its critics. Although it has shown a reluctance to contradict the general law, such as the law of agency, Lloyd's is studying the question of fraud and how it should be disclosed within the Lloyd's community.

A controversial indemnity giving officers of the society legal immunity has been removed from the main body of the Bill and will now need Parliamentary approval before it is implemented by bye-law. Other minor amendments are being discussed.

Yet it would be wrong to suppose that Lloyd's new legislation will be enough to survive the next century without amendment or extensive revision.

Vitality

Some of the issues which Lloyd's is leaving to its council to consider may require further radical strengthening of its underlying legislative supports at an early date. Moreover, the market will continue to grow and growth, as the last decade has demonstrated to Lloyd's, creates new problems demanding fresh solutions.

Lloyd's has feared that too much legislation could squeeze the vitality out of its market; this is partly why the latest Bill only goes as far as it does.

If Lloyd's is to ensure that its market continues to inspire total confidence and respect the present Bill must be passed into law as a matter of urgency. Should Lloyd's need further legislative support to uphold an effective system of self-regulation it must not hesitate to seek the necessary powers.

The need for a law of the sea

THE LAW of the Sea treaty being negotiated in the United Nations is too important to be sacrificed to the interests of any one country or industry. It is regrettable that the Reagan Administration should have abruptly demanded a delay before it will agree to a text which has already been under discussion for eight years. But the Administration's concerns about deep seabed mining are valid and it is understandable that it should seek reassurance. There is, after all, no point in having a treaty setting out how the mining companies may exploit the wealth on the seabed if the provisions of the treaty mean that the companies are unwilling to be involved.

Heritage

The potato-like nodules on parts of the world's seabed contain an estimated 240m tonnes of cobalt, 290m tonnes of nickel and 6bn tonnes of manganese. It is one thing if economics makes mining them of questionable value; at present dredging the seabeds would only become worthwhile when mineral prices reach a level also making it practical to exploit widespread on-shore mineral deposits. It is quite another if the treaty itself discourages investment.

The present draft convention is a lawyer's delight and an industrialist's nightmare. The sea bed is classed as the "common heritage of mankind." To obtain a licence to mine it any state or state-sponsored company must apply for two sites. It will be allowed to mine at one site and the other will be banked for use either by developing countries or by the Enterprise, the industrial arm of a projected International Sea-bed Authority. Companies will have to contribute finance and technology to the Enterprise while the Authority will have the right to limit production so as to protect land-based producers.

Pressures

For the companies all these provisions are fraught with problems. Though the principle of "double-banking" was proposed by Dr. Henry Kissinger, its consequences are complex and unsatisfactory. This is a point made strongly to the U.S. Congress in recent years, not least by Mr. Leigh S. Ratiner, now the second man in the U.S. delegation to the Law of the Sea Conference and previously active on behalf of Kennecott, head of one sea bed mining consortium.

In seeking a delay the Administration has responded to pressure from the mining industry. But the arguments are not new. On the contrary in recent years the industrialised countries have fought with some success to soften the draft treaty. The result is that not all the U.S. mining companies feel as strongly as those ones which have caught the headlines. Indeed in other countries members of seabed consortia argue that if negotiations on the basis of existing draft are firmly handled many of their fears could be overcome. It is to this end that the U.S. should now work.

One reason for this is the importance which the rest of the world attaches to the treaty. The years of negotiations have produced a text with something for everybody. For the Third World in particular the principle of Common Heritage has become crucial as one of its few tangible gains from the "North-South dialogue."

A second and perhaps more telling argument is that the treaty is also essential for ensuring freedom of navigation to ocean-going countries like Britain, the U.S.—and the Soviet Union. In exchange for access to the seabed the Third World has agreed to keep the straits of the world open to international shipping, and the airspace above them open to aircraft.

Strategic

Developments like the proposed U.S. Rapid Deployment Force only underline the strategic interests of the West in this. The oil companies, too, would be created by such a framework of international legislation to ensure that they can transport oil and that the law of the sea does not become the law of the jungle.

In an ideal world the U.S. might like to scrap the provisions of the treaty relating to mining and maintain those dealing with navigation. The U.S. and other industrialised countries might then seek to go ahead with the unilateral "temporary" mining legislation that a number of them are introducing.

But too much bitterness would be created by such a move for the Third World simply to acquiesce. Instead there is the real danger that coastal states would again begin a drive to enlarge their claims over straits, continental shelves and what are now considered to be high seas. It is not in the interests of the U.S. or its allies to allow this.

LONDON RATES

One theme, three variations

By Robin Pauley

THE UPHEAVALS in local authority finances, grant systems and rating and spending levels has nowhere been more dramatic and controversial during the last year than in inner London.

The three neighbouring boroughs chosen below represent three different ways of running a London borough. Southwark is an old-style, pragmatic and in many ways very conservative type of Labour administration. By contrast, Lambeth, also a Labour controlled council, is an example of a new trend: committed left-wing Labour members are challenging traditional Labour supporters almost as vigorously as they are Tories.

In Wandsworth, meanwhile, the voters replaced the Labour majority in 1978 with a Conservative administration. This has taken the Conservative central government's policies to heart—with mixed results.

All three boroughs, like most others in London, are trying to grapple with a range of urban problems on a scale which almost defeats the possible scope of local authority finance. Housing continues to be the dominating problem and the drain on finance which it has been for more than two decades.

A declining population has tended to leave the old and the lower socio-economic classes behind, aggravating the social difficulties. In addition, London has large groups requiring extra financial support — one-parent families, children without English as a first language etc.

The problems are shared with other large urban authorities in England, notably Leeds, Bradford, Sheffield, Manchester, Birmingham, Liverpool and Newcastle. For the same reasons they also all have high expenditure profiles and consequently high rates.

It is not only domestic ratepayers who are complaining up and down the country. Commercial and industrial ratepayers feel increasingly that some councils are spending money in a way which simply could not be tolerated outside the public sector.

London's problems have been compounded by the Government's new and extremely complicated system of allocating central grants to councils. This has switched money away from the capital to the rural or shire areas.

HOW SPENDING PATTERNS COMPARE

	Lambeth	Southwark	Wandsworth
Population	272,000	215,000	264,000
Full-time council manpower September 1980	8,304 + (rising)	8,200 + (static)	5,666 + (falling)
1980-1981 Budget	£93m	£80m	£60m
1980-1981 total expenditure per head	£341.26	£371	£235.78
Average domestic rate bill 1974	£84.37	£78.83	£76.80
Average domestic rate bill 1980	£357.60 (including supplementary rate)	£265.19	£197.22
Rate in £ 1980-1981	143.9p (plus 20p supplementary rate)	136.5p	96.8p
Spending per head 1980-1981 Personal Social Services	£99	£89	£82
Spending per head 1980-1981 Housing Revenue Account	£83	£91	£23
Spending per head 1980-1981 Sport, pools and recreation	£15	£6	£6
Total debt per head	£1,211	£1,729	£959

Sources: CIPFA and Joint Manpower Watch

LAMBETH

Left-wingers forced to conform

IN LAMBETH this year good and honest burghers have been tearing up supplementary rate demands and even burning them in the street and anti-council feeling appears to be running high in all sections of the borough.

Indeed the past few months have proved to be something of a nightmare for Mr. Ted Knight, the Marxist council leader, who has become increasingly isolated as he has come under attack from the Tories, the moderate Labour and extreme Left groups within his own party, and the electorate. Simultaneously there are warnings of impending disaster from the district auditor and his own officials.

But Lambeth does not have the country's highest rate bills, spending levels or debt. So why is it here that people are taking to the streets to protest about rates?

The answer seems to be that the ratepayers feel that the council is not spending it as carefully or effectively as it should and that it refuses to slow down its growth, even in a period of shrinking resources and economic decline.

Lambeth's average domestic rate bill has climbed from £85 in 1974 to £357.60 this year—a rise of 316 per cent compared with 177 per cent in the Retail Price Index—and the figure for 1981-82 will be around £500.

It would have been nearer £600 but for the borough's various ratepayers' action groups who have forced Mr. Knight to propose savings of some £11m and a domestic rate increase of 37.5 per cent rather than 58 per cent which would have been required to continue his preferred policy of growth.

Until recently Mr. Knight was determined to expand the council's role as a traditional local employer and to defy the Government's demands. But he has changed his mind: in a recent letter to the Labour group of councillors he says that to maintain the current programme "would be unacceptable to Labour voters and would continue the opposition generated by the supplementary rate."

The £11m savings he says can be achieved without endangering existing services or jobs and ironically will result in extra £1.5m in Government grant because it is spending less. Council house rents are also to rise by £4.6m between now and October and a range of other small cuts are planned.

Apart from the ratepayers' wrath, which has severely shaken Mr. Knight, the internal politics of the Labour Party have played a part and have left him with few friends on Right or Left. There are 22 Tory members and 42 Labour, the latter being split into a number of factions. There is a gang of 12 moderates and "right-wingers" including the former Labour leader, Mr. David Stimpson, who won the last local election for Labour and was then ousted by 23 votes to 19 in the leadership contest by Ted Knight.

Of the remaining 30 about 10 are hard-line Leftists who deplore Mr. Knight's cuts and wanted a no-cuts-no-rate rises policy which would have set the council beyond the law.

Another factor working against Lambeth's spending plans had been the blunt warnings from the borough's finance director, Mr. Jack Halligan, one of the most respected borough treasurers from the City's point of view. He alone has been able to organise the finances and keep them on an even keel and has now told the council that it could not continue without meeting disaster.

Worse, the district auditor who approves local authority accounts is likely to be more or less in permanent residence in Lambeth in 1981-82. If he decides to take councillors to court for "unreasonable excesses" they could be liable to heavy surcharges leading to personal bankruptcy and disqualification from public office.

The Lambeth Labour Party likes power and needs to be in office to make headway. It has, in the end, preferred giving up some level of service rather than giving up power.

WANDSWORTH

Conservatives confounded by grant system

IF IT IS any consolation to the domestic ratepayers of the Conservative-controlled borough of Wandsworth (which it probably isn't), Mrs. Thatcher is very angry that they of all people are faced with a rate rise of 27 per cent for 1981-82.

The council, led by Mr. Christopher Chope (known locally as Mr. Chop), has spared nothing in terms of jobs and services in its expenditure cutting exercises. A big spender in the past it has tried to meet every Government request for cuts and rent increases. Time and again Ministers have praised the council and quoted it as an example of what can be done.

But the reward has been that the Government's new and highly criticised method of determining grant levels for local councils has penalised Wandsworth (population 264,000) to the tune of £10m. This means a huge bill for the ratepayers even after more service cuts, 700 redundancies, and London's highest council rent increase.

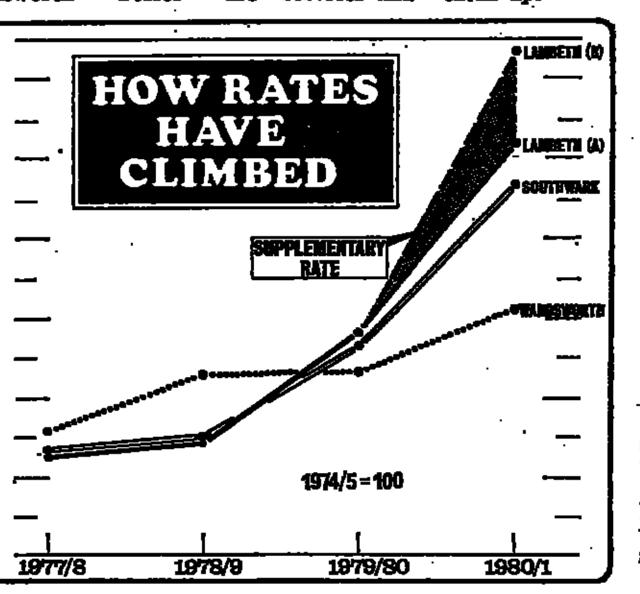
Wandsworth Tories are furious and expressions of sympathy from Ministers have not impressed them. The local Conservative MP, Mr. Bill Shelton, refused to vote with the Government on the 1981-82 rate support grant settlement debate in December.

The new formula which meant a large jump in the amount it must pay the GLC, has to the Government's great embarrassment, left Wandsworth looking for £7.5m in further cuts to keep the rate increase under 30 to 40 per cent. Libraries are to be closed together with a children's home and lunch centres for the elderly.

In addition, the 40,500 council tenants face a rise of £4.50 or 37 per cent on average rents taking them up to £17 a week (compared with £6 to £8 a week in Lambeth).

In spite of the measures to restrict expenditure there are growing worries in Wandsworth among some sections of the electorate about the council's policies. Some think that too much may have been sacrificed in the way of services.

The main worry behind this concern seems to be that such sharp cuts could lead to a defeat for the Conservatives in the 1982 London elections. The Left of the Labour group would then feel duty bound to demand expenditure levels of Lambeth proportions to restore services and "catch up."



SOUTHWARK

A pragmatic approach to cutbacks

SOUTHWARK Council has just sold off some land for nearly £2m. It needs the money. Southwark has one of the largest debts of any borough in the country—£420m or £1,729 per head—mainly because of its enormous post war slum clearance and housing programmes.

About half of the 38 per cent domestic rate rise for 1981-82 is attributable to loss of Government grant under the new distribution arrangements.

Southwark has been attempting to steer a middle road and strike a balance between its desire to provide a high level of services and the need to keep rates low enough to encourage commerce and industry to move into the borough.

Southwark has a population of 215,000 and 61,000 council tenants. A report in the late 1960s showed housing conditions in the borough to be the worst in England with many people still living in squalid mid-19th century tenements. The council then embarked on an enormous housing programme and if the housing investment programme allocations were not now being cut back by the Government the borough's main housing problems might have been solved by 1984. As it is some 92 per cent of Southwark's debt is for housing.

Southwark actually spends more per head than either Wandsworth or Lambeth and it has more council employees per 1,000 residents than either of them. But it has continued to abide by Government policy and has taken a pragmatic line over the cuts.

To provide a high level of services, keep the rate rises within inflation for five years (until now) and service its huge debt Southwark has had to take a strong line on subsidies.

The average council rent, for example, is already £10.18 (compared with between £6 and £8 in Lambeth) excluding rates and heating charges. It will go up to £13.50 exclusive in April.

The council has raised its rents in line with inflation and Government guidelines on increases. Because this produces high rents the council tries to ensure a high take-up of rebates.

The council has a policy of no compulsory redundancies and has kept its manpower level static during the last year at about 8,200 full timers — one per 26 residents. But as local authority staffs tend to turn over at an annual rate of 18 per cent per year there appears to have been a policy decision not to meet Government requests for staff cuts through natural wastage. There remains ample scope for job reductions.

Southwark's council committees plan next year's expenditure throughout the current year, each considering the implications of cuts of 0, 2, 4 and 6 per cent in each service before deciding how to allocate the money voted to them by the Policy and Resources Committee.

Two-thirds of the borough's rate income is from non-domestic ratepayers, many of whom are small businesses and enterprises. So Southwark is acutely sensitive to the feelings of businessmen and desperate to end the 20-year exodus of people and business from the borough. The long-awaited development of the key Surrey Docks site is now within sight and there is a long-term chance of a substantial improvement in the rate base.

But two dangers threaten the balance which the conservative Labour leadership in Southwark has tried to achieve. The first is that constant economies make it inevitable that, sooner or later, very large-scale expenditure will be needed on housing repair and maintenance and on road repairs.

The second is the changing age profile of the majority Labour group. The moderates are generally the older members. But the Left, which believes passionately in high spending on all services, is the younger group and is steadily growing.

MEN AND MATTERS

Some appoint . . .

The finance director's shoes at Grand Metropolitan should be a comfortable fit for Michael Orr when he steps into them next June. For as a senior director of merchant bank S. G. Warburg, Orr has been in the thick of it advising the group on the major takeovers like Express Dairies, Berni Inns, Watneys and Liggett which have extended the frontiers of Sir Maxwell Joseph's empire.

Orr kicked off his career with eight years at ICFC, before joining Warburg in 1969. He is still only 43, and I think it would not be presumptuous to suggest that he joins a fairly unambiguous line of succession shaping up at the top of the Grand Met shop. Stanley Grinstead, now 56, has been sole group managing director since the departure of his "other half," Ernest Sharp, last Spring. Clifford Smith, whom Orr succeeds as finance director, is due to retire in two or three years. Smith moves up to the post of assistant group managing director, where he will take particular responsibility for interests like oil, which are not so central to the group's structure.

As for Joseph himself, Grinstead is quick to put down suggestions that, at 70, he may be considering retirement. The chairman's health is, I am told, extremely good, and his departure is not anticipated in the school term.

some disappoint

Over at furniture group MFI, another bit of "succession planning" has gone rather less smoothly. Jack Seabright has tendered his resignation as joint managing director after, I understand, treading a little too quickly in chairman Arthur Southon's footsteps.

In a boardroom shuffle which Seabright says was "very amiable," group co-founder Noel Lister moves from joint managing director to group chief executive, while retailing director Derek Hunt becomes "sole group managing director."

The 51-year-old Seabright decided to approach Southon to ask whether the 65-year-old chairman planned to retire, and whether he stood a good chance of being his successor. "It was made clear to me," explains Seabright, "that I would be unlikely to succeed him." And rather than hang around, he has chosen to leave on July 31.

Southon confirmed yesterday that he was not thinking of retiring — "I will retire when I'm closer to 70 than to 65." And he was kind enough to offer a little advice to managing directors eyeing up the chairman's suite. "Sound out the ground reasonably well before asking."

Drawing power

Within a few hours of the collapse in January of toymakers Airfix, four or five prospective buyers for its design subsidiary Benchmark had formed a queue at the receivers. Among them were brothers Michael and David Green, whose fast-growing printing and publishing group Tangent Industries had worked with Benchmark to produce the last Airfix report and accounts.

It was they who yesterday finally bought the business for an undisclosed cash price—and transferred the 22-strong design team headed by David White to Tangent's City Road headquarters. "It fits in logcially with the rest of our business," says Michael Green.

White will continue to run the team which he set up for Airfix less than two years ago and which, with a turnover of around £500,000, was already profitable when Airfix went under.

A former Royal College of Art Student, White trained under David Hockney. He spent three years as creative director of Conran Associates, was a consultant to the up-dating of Burton's high street image, and while at Benchmark has also worked for clients such as Levi Strauss, Boots, and Ryman. Such outside consultancy work will be developed under the Tangent regime.

Tangent should see turnover up this year from £11.4m to around £15m. But profits (last year £755,000) will not reach the £1m which is its pre-condition for going public.

Going rate

Ratepayers everywhere will look expectantly to their town halls after the decision by Lincoln City council's chief executive Philip Watts to declare himself redundant. As council leader and finance chairman Jim Sullivan says: "He has made the supreme sacrifice—and I hope it sets a precedent."

Watts' departure will save Lincoln £20,000 a year. "He came along to us and simply said he thought the council could do without his job," says Sullivan. "It is an example for all chief executives throughout the country. There must be hundreds of local authorities who could take a decision like this."

Fifty-year-old Watts, whose duties will be taken over by the council treasurer, says: "I suppose you could call it a pretty noble gesture but the real heroes may be those who stay in local government where the outlook is not rosy and morale is pretty low."

A father of three, he has no other job in mind at present. "But I am a qualified lawyer and still young enough to consider other activities."

Bound together

While the Savoy battle continues, another venerable British name has yielded more happily to the charms of leisure group Trust House Forte. Shareholders at yesterday's THF annual meeting approved a take-over of Bloomsbury publisher Sidgwick and Jackson which cements a friendship dating back over 40 years between directors of the two firms, and opens up major new business for Sidgwick.

It was James Knapp-Fisher, a former chairman of Sidgwick, who shortly before the last war lent Sir Charles Forte a sum of money which was of considerable importance in the building up of what has since become a £2.6bn business. Forte did not forget the gesture and, when Sidgwick itself was squeezed in the early 1960s, he put up new capital. Forte and two fellow THF directors control almost 69 per cent of Sidgwick's capital, which is being sold to THF in a deal which values Sidgwick at £216,000.

While the take-over will leave Sidgwick's traditional business untouched—its up-market hardback list includes Richard Nixon's Memoirs, Sir John Hackett's The Third World War, and Edward Heath on sailing—th etie-in with THF will yield a new range of books aimed at the tourist market. Managing director William Armstrong hopes to see the first six titles out in 1982. Their precise format remains secret, but he hopes they will make THF "as prestigious a name as, say, Shell or Michelin."

Tender spot

One story going round the City last night was that Standard Chartered wanted to get its hands on Royal Bank of Scotland for its note-issuing activities: Standard Chartered chairman Lord Barber is said to be anxious to start printing money again, as he did in the good old days as Chancellor of the Exchequer.

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FINANCIAL TIMES SURVEY

Tuesday March 17 1981

PORTUGAL

Preparations for Common Market membership, planned for 1984, will involve Portugal in an urgent programme of modernisation and reform which could also mean higher prices for its citizens. The Government is working to cut the rate of inflation and increase investment to provide wealth for much needed rises in real wages.

Roots of freedom firmly bedded

By Roger Matthews

PORTUGAL HAS a delightfully assured confidence in its ability to compromise, a characteristic which remains the country's greatest strength and its most debilitating weakness.

It took four decades of authoritarian government, 10 years of African wars and a generation of relative economic deprivation before the more junior ranks of the military were sufficiently provoked to elbow their seniors aside. They did so with flowers and Portuguese restraint.

Briefly in 1975 it looked as if Portugal was sliding towards Left-wing excesses, but the moderates successfully counter-attacked, a constitution was drawn up, parliamentary elections held and Western Europe was warmly applauding the *almost bloodless manner*, in which Lisbon had joined the democratic nations.

Today, despite Portugal being on its 13th government since the revolution, democracy has patently taken firmer root than in the rest of the Iberian Peninsula, the army is more or less back in its barracks and the current government has a mandate to rule and a tolerable parliamentary majority to do it with.

Curiously however there is (ministers apart) no great surge of optimism discernible in Portugal. In part this may be because, having voted three *times in 12 months and then* seen Prime Minister Francisco Sa Carneiro killed in a crash at Lisbon airport on December 4, the electorate is drained. But, it must be admitted, many Portuguese express relief that the policies of confrontation pursued by Sr Sa Carneiro have been replaced by the more relaxed, less aggressive approach of his successor, Sr Pinto Balsemao.

By providing Sr Sa Carneiro with a workable majority, the Portuguese appeared to have been looking for firm leadership *but not for an all out confrontation* with President Ramalho Eanes, a man who won considerable respect for his defeat of the Communists and extreme leftists in 1975. As the December Presidential elections showed, they were certainly not ready for President Eanes to be replaced by a man with guaranteed authoritarian tendencies.

The compromise has therefore been to have a President who, in civilian life, would probably be a member of the Socialist Party, and a Social Democrat Prime Minister who, *if he was in British politics*, would be somewhere on the moderate wing of the Conservative Party.

During the course of this year the two men are going to have to sit down together to hammer out the final compromise of the 1974 revolution — the fate of the Council of the Revolution, the military body formed to oversee and ensure the revolutionary purity of Government decisions.

Almost everyone, even allegedly the Council, agrees that it is an anachronism which has no place in the democratic process, but there is little chance of an early agreement on the manner in which its powers should be split between President and Government. This issue is certain to take up an excessive proportion of 1981 and until the compromise is found—perhaps even a government or two later—the rest of *the country's problems will receive* little effective attention.

Individualists

It is tempting to write that those problems will not wait much longer, but almost certainly they will because Portugal has managed to erect a politico-economic structure of such compromised complexity that it will take years to sort out. By nature the Portuguese are individualists. They prefer the small business, the family concern, the small plot of land which is *theirs alone. Far better, many* would say, to own one cow and be poor than to share 100 and be richer.

In direct contradiction to this affection for small scale private enterprise, Portugal now possesses an overwhelming State sector ranging through most economic activities. One of the ideological fruits of the early days of the revolution, it has been ripely wedded to an already cumbersome bureaucracy.

The Government which is directing and seeking to formulate policies for these activities strongly believes in capitalism, competition, modernisation, individual initiative, the profit motive and membership of the European Economic Community. For the Government to operate effectively, it first has to create those structures through which its policies can be *implemented*, but as this smacks of a return to pre-Revolutionary days there is certain to be resistance, perhaps in quite subtle forms, from some of the men who overthrew the previous regime.

The stick and the carrot for the Government is the Common Market. As it was the Socialists who originally applied for membership in 1977, some of the ground is immediately cut from under the feet of the largest opposition party. It may object to the terms; it cannot really renege on the principle.

To prepare for membership, perhaps in 1984, Portugal has urgently to modernise, adapt its structures to those of the EEC, reform its subsidies policies, breathe some life into the moribund nationalised banking system, inject competitiveness into industry, and warn its citizens about the higher prices and other surprises contained in the Common Agricultural Policy.

As members of the Council of the Revolution know a Trojan horse when they see one, it is not surprising that they are begining, at least privately, to ex-*press doubts about* the wisdom of membership and are instead lauding the benefits of closer co-operation with Brazil and Portuguese-speaking Africa.

A main thrust

This indeed is also one of the main thrusts of Government foreign policy and is an area in which it is thought that Portugal might act as a bridge between Europe and Africa. More fundamentally, Portugal remains firmly committed to NATO, wishes to make its *modest contribution to* the security of Europe, and instead of men and materials might by willing to increase its participation through more generous availability of its facilities in the Azores or on the mainland.

It is also anxious to develop its relations with the Middle East, an area of which it has become acutely aware since the upheavals in the Gulf. The bulk *of Portugal's oil imports* of 8.2m tonnes last year came from Iraq. Its largest single supplier previously had been Iran.

Portugal needs to find ways of offsetting part of this substantial oil deficit, given the likelihood that its overall balance of payments will deteriorate further if the sought after increases in gross national product are achieved. Its ability to export more is, however, circumscribed both by the rather limited range of products it has to offer and, *especially in the industrialised world, by the depth of the* current recession.

The country is also suffering from the worst drought it has experienced for 100 years and fears this could add another \$400m to its import bill during 1981.

Despite this, the governing Democratic Alliance has taken the view that the balance of payments is not Portugal's primary problem and the deficits can be financed for the next three years through external borrowing, given that the country has over \$13bn in gold reserves and foreign debt of less than \$7bn. Instead, the Government will concentrate its efforts on further reducing the rate of inflation—now running at an annual rate of about 17 per cent —increasing investment, re-organising the public sector and generating the wealth to allow *for urgently needed rises in real* wages.

It is a measure of the extent to which Portugal has fallen behind the rest of Europe that a survey last year showed 21 per cent of employees were earning less than the minimum industrial wage of \$173 a month. Well over half the country's white collar workers received less than \$385 a month. Unemployment, put officially at about 8.2 per cent, is in fact probably double that figure, yet employers complain of the immense difficulty in finding skilled staff.

Portugal has for too long been *exporting its skilled workers* but cannot really welcome them back because their remittances last year of about \$2.2bn made the largest single contribution to the balance of payments.

Ideally, the Government would like to see this year's round of wage bargaining strictly tied to productivity gains, but with the hardline Communist Party maintaining its firm grip on the country's largest trade union organisation, and recognising that it is unlikely ever to gain more than 20 per cent of parliamentary seats, any progress in this direction is likely to be small.

Frustration

Part of the reason for Sr. Sa Carneiro's bitter attacks on President Eanes was that he considered the Council of the Revolution was protecting the Communists and allowing the party, which will have no truck with such "liberal" movements as Euro-communism, to frustrate the majority of the electorate. The evident weariness among some of Portugal's older industrialists indicates also that their hopes of pushing the country along faster are fading, although among younger entrepreneurs the enthusiasm remains.

Portugal's ability to reconcile apparent incompatibilities while rejecting excesses has been its great political strength since the revolution. Its social fabric has weathered the assaults made *on it, the Roman Catholic* Church continues to exercise considerable influence, especially in rural areas, and political tolerance has not bred the terrorism which has been inflicted on other democracies.

For so long as Portugal continues on this path it might seem likely to remain a modest, decent, relaxed, unexciting and economically backward country. However the pressures for change will mount, the population will be unable to ignore the impact of the EEC, and the spirit of compromise should not be allowed to negate all efforts to pursue a single coherent policy.

The revolution has passed its first test but it would be a sad mistake if it came to be seen as an achievement in itself, rather than as the foundation from which a new flexibility and dynamism could emerge.

CONTENTS

BASIC STATISTICS

Area	34,861 sq m
Population	9.87m
GNP (1979)	Es 962.3bn
Per capita (1979)	Es 97,497
TRADE	
Exports (1979)	\$3.593bn
Imports (1979)	\$6.015bn
Exports to UK (1980)	£335.11m
Imports from UK (1980)	£389.85m

Currency: Escudos
£1=Es 125.9
\$1=Es 57.08

PORTUGAL II

Political parties face test of maturity

THERE IS one dominant issue in Portuguese politics this year—the revision of the constitution. It will both shape the future institutional structure of the country and provide the political parties with a severe test of their own maturity.

The present constitution was born out of the stormy days which came after the April 25 coup in 1974. It followed the shock of decolonisation, the emergence of Western Europe's most hardline Communist party, a crude attempt by the far Left to seize power, and a spell of industrial anarchy for which the country is still paying.

The essence of the constitution was that the armed forces, in the guise of the Council of the Revolution, would oversee, guarantee, approve or veto the work done by the political parties in Parliament. This reflected the determination of the armed forces to protect their revolution and to ensure that it proceeded along ideological lines which they favoured.

It is a measure of the progress which Portugal has made that the military, the President and the political parties (with the exception of the Communists) now agree to a greater or lesser extent that the Council of the Revolution is no longer compatible with the democratic process and should be dissolved.

The casual observer can be forgiven for disbelieving that any such consensus exists. The ruling Democratic Alliance, formed by the Social Democrats (PSD) and the Christian Democrats (CDS) with minor support from the ecologically-oriented Monarchists, has been trumpeting the issue from the rooftops. Members of the Council of the Revolution were even booed by a few zealots when they turned up recently to witness the PSD's annual congress. The message has been simple—the Council is impeding the work of Parliament, its existence is incompatible with democracy and the officers who form what is effectively a parallel government must be forced to go.

To which President Eanes, who chairs the Council of the Revolution, and Lt.-Col. Victor Alves, its spokesman, reply simply: "We agree." Or rather they agree that the Council is willing, even anxious, to disband itself but then point out that this cannot happen unilaterally without Parliament first deciding what should happen to the powers currently exercised by the Council.

For this to happen the Democratic Alliance and the Socialists must themselves draw up proposals and only by reaching a broad measure of agreement can the necessary two-thirds parliamentary majority be achieved.

The issue was made more potent by the abrasive, challenging style of Sr Francisco Sa Carneiro, the Prime Minister who died in an air crash on December 4. Having won the first workable parliamentary majority since the Revolution in the October general election, Sr Sa Carneiro was determined to reduce, if not eliminate, the influence of left-wing military officers in politics as almost a prerequisite of efficient government.

His speeches against President Eanes in the presidental elections were unprecedented in post-revolutionary politics and the Prime Minister then promised to resign unless his own right-wing candidate, General Soares Carneiro, was chosen.

Portugal appeared to be heading for a dangerous constitutional impasse, as even before Sr. Sa Carneiro's death it had seemed likely that President Eanes would carry the day against a little known and probably illiberal candidate.

Unchanged

President Eanes's victory, and the fact that some supporters of the Democratic Alliance also voted for him, suggests that an important part of the electorate neither favoured nor saw the necessity for Sr. Sa Carneiro's attempted political blackmail. Equally however there were many who believed that Sr Sa Carneiro's blunt tactics offered Portugal the best hope of producing a dynamic leadership which could tackle the deep-seated problems of the country and get the economy moving.

Sr. Sa Carneiro's death robbed them of their most forceful, almost messianic advocate but it has not basically changed the political argument. Sr. Pinto Balsemao, the new Prime Minister, whose conciliatory relaxed style has done much to ease political tension, will be aware that he is on trial. His performance will be closely monitored by the disciples of Sa Carneiro and by Professor Diogo Freitas do Amaral, leader of the Christian Democrats.

There are already reports of sharp differences within the Democratic Alliance on the constitutional reform proposals and these could later be accentuated if the Socialist ideas are significantly different and lengthy bargaining is required.

The political temperature is certain to be raised more immediately by the Communists, who are planning a vigorous challenge to the Government's authority during the spring and will certainly use their trade union power in an effort to influence the implementation of the budget.

Catalytic

The Communists are simultaneously seeking to put pressure on the Socialist Party, which at its next congress may have to face squarely the issue of Sr Mario Soares' leadership. Many Socialists now accept that Sr Soares should not lead them into the next election, not least because he is recognised to have failed as Prime Minister. The loss of successive elections by a party which thought it was the natural organisation of government has caused a loss of confidence which is likely to take years rather than weeks to recover.

The effect of injecting the constitutional issue into such a poltical atmosphere could prove catalytic. Some members of the Council of the Revolution are known to favour a political realignment, arguing that all Portugal's parties initially appeared further to the left than they really were because of the atmosphere in which they first appeared. They would most like to see the Christian Democrats, whom they regard as the extreme right, split away from the Social Democrats. Once that alliance was broken and some Social Democrats tempted across into a working relationship with the Socialists, the possibility of centre-left government would emerge strongly.

So much will depend on the political skills of Sr. Balsemao. On the surface he would appear to have a better than average chance of seeing out his full four-year term, but the estimates of other politicians range from four months to a maximum of two years.

It is doubted whether the Christian Democrats see him as anything more than a stop-gap premier and will be prepared to try to bring him down either during or soon after the constitutional review. Others predict that Sr. Balsemao will himself become tired of government and after a respectable period will choose to go.

Unlike Spain, democracy appears well established in Portugal, but it would be a serious mistake if the politicians were to accept this as a licence to indulge in internecine squabbling. The Communist Party remains the single best-organised political faction in the country and although its level of electoral support is never likely to rise above a maximum of 20 per cent, this still gives it a degree of influence which will inevitably increase in proportion to the level of disarray among the other parties.

Its negotiating skills have already assured it of a strong presence among the country's workforce and one from which it could benefit further if the recession deepens and real wages continue to decline. Any perceived strengthening of Communist influence may also make it difficult for the moderate centre of the Democratic Alliance to hold its position in the face of Right-wing militancy.

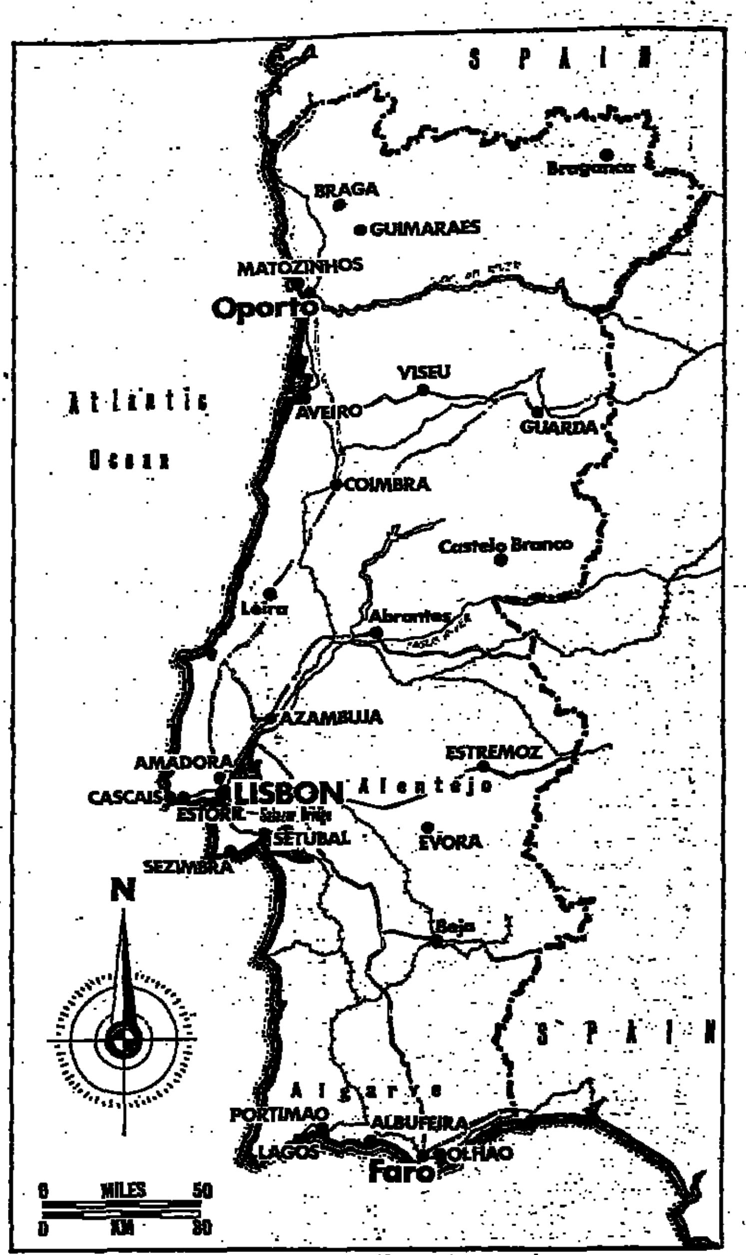
If such a situation was allowed to reach the point where parliamentary government was again proving ineffective, it would provide powerful ammunition for those members of the Council of the Revolution who do not wish to abandon their responsibilities.

President Eanes is well aware of the difficulties of persuading the armed forces to retreat from politics, especially in a country which has such a long history of military involvement. To effect the dissolution of the Council of the Revolution will be a major step, but one for which the parties may have to pay a rather higher price than they would wish. The price will be in the extent to which the Council's power is transferred to the presidency.

To this extent the parties may feel trapped between alternatives which they believe offer very little real choice. In the case of Sr. Sa Carneiro, the response was to meet the challenge head on and try to face it down. None of the present party leaders has either the popular support or political will to attempt such a course.

Meanwhile, the parties have been neatly set up by the military with the requirement to agree on an overall constitutional programme. If the parties cannot agree, cannot come up with a two-thirds parliamentary majority, then almost certainly the military will retain its impressive powers. Rarely has the spirit of intelligent compromise been more sorely needed.

Roger Matthews



Preparation for EEC entry will force banks to modernise

WHEN THE chairman of one of Portugal's nationalised banks arrives at the office in the morning, he enters—late rather than early—a charmed and antiquated world whose conservative traditions have, if anything, been reinforced by the revolution which put the banking system under State control six years ago.

The Chairman earns slightly less than six times the salary of the bank's lowest-paid doorman and the Communist militants on the bank's workers' committee may from time to time still display a disturbing ease in getting hold of embarrassing documents.

His bank is grossly under-capitalised and suffers from a chronic excess liquidity, natural in a country where the capital market is virtually dead and where the main outlets open to small investors are buying property and placing their money on term deposits.

Up to a third of his much too large staff is tied up all day discounting bills of exchange and, long queues of clients at the bank tills bear not-so-silent witness to the success of bureaucratic clerks in fending off the domination of computers.

The bank's foreign exchange department for the most part slumbers in an enforced idleness, interrupted from time to time by small tourist transactions.

The shuttered 19th century boardroom adds to the impression that the bank is a kind of sleeping beauty. But the wind of change is already blowing.

Most of the men who today run the nationalised Portuguese banks already had boardroom experience before their institutions were taken over at the height of Communist influence in March, 1975. Many of them perform the same functions they did before nationalisation, but on the board of different banks. The shuffling of posts has provided a sort of continuity.

Critics say the nationalised banks are less aggressive than their predecessors and that their decision-making process has been slowed by administrations that are less flexible, less imaginative and more frightened of risks than before they came under the State's tutorship.

The system is indeed tightly regulated by an all-powerful and very cautious Bank of Portugal, but the country's hoped for entry into the European Economic Community is beginning to blow the dust away.

A Government committee has been charged with revising Portugal's banking legislation with a view to drawing up a new bank law in line with EEC regulations and the Bank of Portugal is to have some of its powers taken away by the Ministry of Finance.

For the fourth time in just over a year, the Government of the ruling Democratic Alliance is trying to push through a Bill opening the main sectors of the economy to private investment. The most important and controversial of these sectors is banking. In 1980, Portugal's military watchdog, the Council of the Revolution, thrice vetoed similar Government proposals.

Prime Minister Francisco Pinto Balsemao has said that if the military threw the Bill out again, he would wait until the Council of the Revolution was abolished by Parliament in this year's constitutional revision and then come back to the attack.

The Bank of Portugal took a first step towards creating an open financial market by issuing short-term Treasury Bills last year. The State-owned Banco de Fomento Nacional has just issued the first public sector bonds since the 1974 Revolution. A committee has been set up by the Ministry of Finance with the official task of "dynamising the capital market."

The Lisbon and Oporto stock exchanges only deal in a small number of pre-revolutionary shares. The best companies in Portugal were nationalised in 1975. Most of those left in private hands were small family companies and there is at present no mechanism in the nationalised banks for helping a company that wants to tap the stockmarket. The banks, therefore do not manage any unit trusts, do not get involved in mergers and have until recently ignored leasing.

The most successful of the three foreign-owned private banks which emerged unscathed from the revolution, Credit Franco-Portugais, has recently started work on setting up a leasing company. So has the nationalised Imperio banking group.

In another sign of renewed interest, several investment companies have appeared on the horizon. These are known under Portuguese law as para-banking institutions and they will be prime candidates for conversion into wholesale banks if and when the Government ends the State monopoly on banking.

The International Finance Corporation, a World Bank affiliate, and West Germany's State-owned Deutsche Entwicklungsgesellschaft (DEG) are likely to take a 15 per cent stake each in one of the investment companies being put together by 83 leading private Portuguese companies.

Another projected investment company is a partnership put together by Jose Manuel de Melo, former head of Portugal's biggest conglomerate—CUF—before its nationalisation in 1975, with Deutsche Bank and Morgan Guaranty Trust of New York.

Bankers report that the Espirito Santo family, one of the handful of families which together with Mr. Melo, controlled the Portuguese economy before the Revolution, is also considering an investment company using the funds it is to receive in compensation for its nationalised assets.

Before the Communists set off a wave of State takeovers, the Espirito Sontos controlled the Espirito Santo e Comercial de Banco Espirito Santo e Comercial de Lisboa, one of Portugal's largest, whereas the Melo family was heavily involved in the Banco Totta e Acores. The investment companies could provide these groups with a fairly discreet backdoor into what is still the

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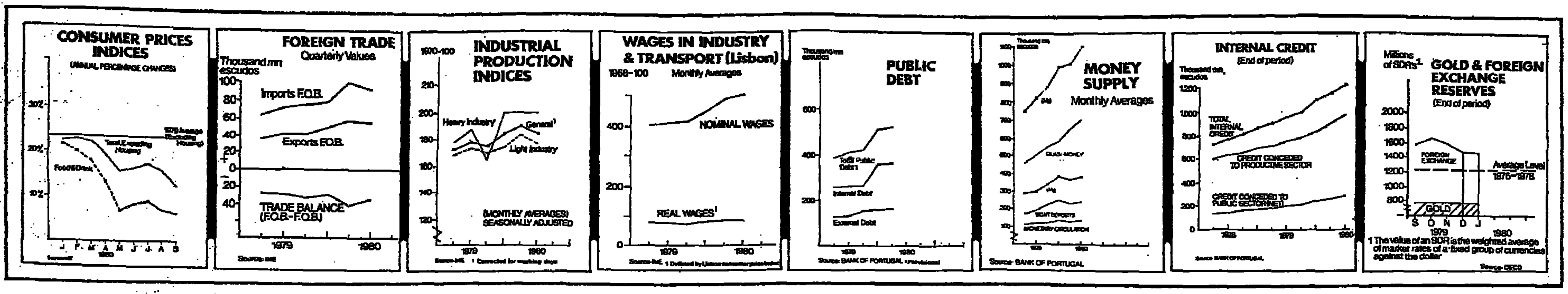


West Europe's poorest nation sees chance to advance

FOR THE first time in six years Portugal has theoretically *the right political conditions for* developing and sustaining a coherent economic policy. It also has a powerful external stimulus in the form of expected Common Market membership.

Sr. Pinto Balsemao, the Prime Minister, and his government believe these two factors can be combined to produce a programme for change and a series of challenges which the country will have to respond to or face the grim prospect of falling further behind the rest of Western Europe.

Few economists underestimate the size of the task ahead. Portugal is the poorest country in Western Europe with a per capita income last year of only about $1,500. It is still heavily agricultural with 30 per cent of the work force employed on the land but contributing only 10 per cent of *gross national* product. Its industrial base is narrow, strongly oriented towards textiles and has suffered from a persistent lack of investment which has contributed to declining productivity levels.

Portugal is also acutely vulnerable to oil price movements and must import more than 80 per cent of its total energy requirements which especially at a time of generalised world recession, will always threaten serious balance of payments problems.

Public opinion polls and surveys of the country's leading 1,000 *companies* show overwhelming support for Common Market membership although little if any detailed knowledge of what accession to the Treaty of Rome will mean. For many people it is simply equated with prosperity, but for the more sophisticated it offers the chance of imposing modernisation with a far better chance of success than if it had to be generated entirely domestically.

*Portugal has little time to pre*pare itself for membership if the Government is to adhere to its present timetable. The original aim of getting in by the end of 1983 is now admitted to be impractical because of the *slow pace of the Brussels nego*tiations. However, senior officials are determined that negotiations should be completed by the middle of next year to provide for entry by mid-1984.

The Government believes any delay beyond then would be harmful politically as it would cause a serious loss of momentum and give opportunity for its *ideological opponents to* develop economic arguments against membership.

Ambitious

The Government has charted the path to membership with an ambitious four-year plan running to 1984. Among its targets are an annual real growth of close to 5 per cent; an average yearly rise in public sector investment of 6 per cent; private sector investment growth of 10 per cent; *an export rise of nearly* 8 per cent against just over 5 per cent for imports; inflation to fall to 10 per cent by the end of 1984; while the current account deficit is predicted to increase in the final year.

However as events have already begun to overtake some of the plan's assumptions it is best viewed as a guide to the Government's overall strategy rather than as a detailed economic prediction.

At the heart of this strategy is a determination to reduce the role of the state, cut the rise in government spending, and create structures and incentives for a healthy private sector. As a result of nationalisation after the revolution the Government occupies a dominant place in the economy with the public sector *ranging from banks* through heavy industry to barbers' shops and florists. It is premature to expect many, if any, of these activities to be returned to the private sector because of the immediate political difficulties, *but the Government hopes* to make a start by rationalising the seven banks it owns.

The initial aim is to reduce public sector banks to three or four while encouraging more foreign banks to open representative offices in Lisbon. While there is no possibility of foreign banks beginning commercial operations in the fore*seeable future their presence* would be a step towards the creation of a capital market. At the same time the Government is studying ideas for stimulating the Stock Exchange, introducing a more flexible *interest* rate structure and encouraging stronger middle level management in the banks.

A necessary corollary will be to introduce greater personal incentives through a reform of personal taxation, which one minister described as the most punitive in Europe, with a top marginal rate of 80 per cent. More of the lower paid are likely to be taken out of the taxpaying bracket although this could be accompanied by measures to limit welfare benefits.

It will also be accompanied by further efforts to bring down the levels of public sector wage *increases with the target for* 1981 in the region of 16-17 per cent compared with 23 per cent last year. This it is hoped will lead to another reduction in inflation — one of the principal successes of the last Government. The annual rate of increase has dropped from 24 per cent to around 16 per cent but was strongly aided by a good harvest in 1980 and a slowing in the rate of depreciation of the escudo.

But by far the greatest challenge to the Government to come from Common Market membership will be accession to the Common Agricultural Policy for which Portugal would *ideally like a 10-year* transition.

Havoc

Despite the size of its agricultural sector Portugal imports 60 per cent of its food and many *of its farmers produce only* enough for their own consumption. Higher EEC prices will play havoc with the complex Portuguese system of *consumer* subsidies for a long list of basic commodities and the Government appears to be relying on the hope that sustained economic growth during the next five years will reduce the impact *of their eventual abolition* especially on the urban community. This will in turn help to reduce the budget deficit estimated this year at $2.5bn or 9.8 per cent of predicted GNP.

The ability of the Government to achieve any of these objectives rests, perhaps more than it realises, on short-term economic considerations. After the large wages increases of 1974 and 1975 the Portuguese have suffered three years of steadily declining purchasing power which has only been arrested in the past 12-months. While this relative hardship has been *borne without serious poli*tical unrest there must be a limit beyond which even the Portuguese will object to being pushed. This limit could well be seen in resistance to efforts to change working practices or to make it easier for employers to shed surplus labour.

The balance of payments also threatens to impose its own restraints. After a current account deficit of a mere $34m in 1979 the gap grew alarmingly last year to about $1.2bn and shows every sign of widening still further in 1981, even without additional government measures to stimulate growth.

The main reason for the wor*sening situation* has been a sharp increase in the trade deficit to $4bn last year, to which oil price increases and a 5 per cent worsening in the terms of trade contributed significantly.

This was only partially offset *by a healthy rise in workers'* remittances to $2.2bn and the continuing recovery of the tourist industry which contributed a gross $1.1bn.

While there is justified optimism that the growth in *tourism earnings will be main*tained there must be serious doubts about any much larger rise in workers' remittances because of the recession in Western Europe. Officials believe it unlikely that Portugal will repeat the strong 7 per cent real gain in export earnings achieved last year and admit that it may even be difficult to manage a 5 per cent rise. Meanwhile there is little that can be done to restrain import growth and the prospects have deteriorated with the onset of the worst drought the country has experienced since 1881.

This has already led to the import of $20m worth of electricity a month from France because of the shortfall in *hydro-electric* generation and may add another $300m this year in imported grains and foodstuffs. Plans have been drawn up for selected power *cuts and these could begin to* affect industry seriously if there is no sustained rainfall within the next few weeks.

It is therefore not too far fetched to discuss the possibility of a current account deficit in *1981* approaching $2bn, or roughly double that which the government forecasters anticiped. The Finance Ministry estimated in *1980* that Portugal would need about $1bn in foreign loans over the next four years to cover its external deficit and will presumably have to revise this figure sharply upwards or consider the possibility of again utilising its substantial gold reserves.

Based on a market price of $500 per ounce, Portugal's gold reserves are worth about $13bn. *Total external debt is $6.7bn.* Thus in the short-term the external payments situation appears manageable, but the danger to the Government is already apparent and will remain a major constraint on those who advocate the most rapid expansion of the economy.

Opportunities

Portugal would, of course, be happier if foreign investors rediscovered the opportunities it has to offer. Foreign investment amounted to a tiny $45m in 1978, rising to $85m in 1979 and $210m in 1980. Ministers understand that it takes time for confidence to be re-established in a country which went *through such industrial up*heavals in the middle of the last decade and point to the efforts being made to compensate owners whose property or plant was nationalised.

With EEC membership looming, relatively cheap labour costs and a generally liberal investment code, the Govern*ment thinks the opportunities* should be particularly attractive *for* mechanical and electrical industries. But it admits that although interest is picking up there is no great rush of inquiries.

It is appreciated that Portugal would prove more tempting if it could demonstrate that it already sustained a profitable and expanding private sector. In order to achieve this the *Government not only needs to* push ahead with the policies it has already outlined but also to create a new atmosphere in the country in which management skills, individual initiative and co-operation between *small-scale producers are seen* to be better rewarded.

There may be greater difficulties in motivating the workforce. The size of the Government's problem can be seen from its estimate that over 55m working days were lost last year through absenteeism.

R. M.

Banks forced to modernise

CONTINUED FROM PREVIOUS PAGE

profitable although archaic world of Portuguese banking.

The law has set down a gearing ratio between capital and liabilities of one to 10 for investment companies whereas the *nationalised banks are working* with one that is closer to one to 50.

The foreign banks that have opened representative offices in Portugal to get a foot in the door are likely to try to launch themselves in the same field of wholesale banking as the Portuguese investment companies rather than compete with Credit Franco-Portugais, Bank of London and South America and Banco do Brasil — the three foreign-owned banks already established there — *in* retail banking.

Wholesale banking would give foreign institutions the freedom to pick and choose the best corporate customers, particularly to handle the accounts of their traditional clients among multinationals starting business in Portugal. That is, at least, certainly Chase's thinking.

The Portuguese Government, however, is extremely nervous about foreign capital flooding the country. The main row between the Portuguese and the EEC at the moment is over Portugal's insistence that the Community should grant a three-year transition period after entry before capital movements have to be freed. The Government is mainly worried about foreign penetration in industry *rather than banking, but the* battle illustrates Lisbon's obsession with regulating foreign participation in the economy.

Sr. Pinto Basemao's Government is against a return to the jungle law that prevailed in the past. The Bank of Portugal is determined that the new banking law will carefully regulate nationals as well as avoid a repetition of the unorthodox practices of before the Revolution, a period characterised by very risky management and far too heavy involvement in stock exchange speculation that left at least one bank technically bankrupt when the bubble burst.

*The prospect of EEC member*ship is facing Portugal with the fact that foreign banks will be able to invoke the Com*munity's rules on* non-discrimination to claim the right to set up shop here alongside the three already established ones. If that happened tomorrow, private Portuguese investors would be barred from a sector open to foreigners. That is why they are trying to change the law.

The Bank of Portugal is taking up the challenge and seems ready to use it as a pretext for change. But the Portuguese need time to restructure their system to create properly-sized banks that can compete on a European level.

Part of the Portuguese banking system is raring to go, but most of it is still very far behind.

By a Special Correspondent

President Antonio Ramalho Eanes

PRESIDENT Antonio Ramalho Eanes has been busy studying world constitutional history. With the typical thoroughness of a military man who has come relatively late in life to the practical implications of political theory, he now discusses with some erudition the differing merits of the British, French, West German and American constitutions.

His grasp of constitutional matters is going to be critical in the next few months and, together with his own political instincts, will in large part determine whether President Eanes takes his desired place in history as the one man most responsible for carrying the country from dictatorship to a secure, stable democracy.

There is little inspirational or charismatic about the Eanes Presidency. Without the revolution, today's President would probably still be following a solid military career which before retirement would probably have propelled him to just short of the most senior levels. His evident qualities of solid, capable efficiency were respected and would have been harnessed for their own ends by men who, under the dictatorship, would almost from birth have been guaranteed better career prospects.

This in part accounts for the dismissive manner in which some people who were close to the *ancien regime* discuss the President. He is dubbed by them and by more outspoken members of right-wing parties as a neo-Communist whose aim is to tie Portugal to the Third World and prevent the development of a more dynamic private sector. There is little evidence to support this view and it was not accepted by the majority of the electorate last December when President Eanes was returned for his second and final four-year term.

However, there is no doubt that Sr. Eanes, along with other officers who helped plot the 1974 revolution, has been saddened by the course it has taken. He saw the revolution as something more than the establishment of a formal democratic system. This democracy was intended to extend itself into the economic and cultural fields and in time transform Portuguese society. Instead, Portugal now has a centre-right government, the Socialists are in disarray, the Communists appear to have a firm grip on the trade union movement and some of the elements of the Salazar and Caetano eras are slowly beginning to reassert themselves.

Having at least in part to hand over responsibility for the future of Portugal to a Government with which he is not greatly in sympathy is clearly not easy for the President, whose own sympathies almost certainly lie with the Socialist Party. But although that message comes across unequivocally in conversation it is immediately and emphatically balanced by a restatement of his own total commitment to the right of the Portuguese to choose their own government.

The bitterness of the attacks made on him by the late Prime Minister, Francisco Sa Carneiro, during last year's Presidential campaign must have severely tested his view of a pluralist political system, especially as Sr Eanes probably feared that there were parallel attempts being made to influence parts of the army.

The attempted coup in Spain last month has reinforced Sr. Eanes's belief that the President has to remain on the alert for any attempt to re-politicise the armed forces, particularly during periods of government instability to which Portugal has shown itself highly prone.

It is one of the President's failings that he does not always find it easy to communicate his ideas. He is uneasy among crowds, has not taken readily to public speaking or television broadcasts, does not smile readily and rarely emanates the authority of his office. Talking privately, however, he shows himself to be not without humour and with an immediate and detailed grasp of most policy issues. He offers no evidence of the dogma of which he is accused, but does appear to speak with great sincerity about the issues facing Portugal.

The one quality which is likely to prove the greatest irritant to the political parties during the coming months is President Eanes's determination, some would say stubborness. While he agrees that the Council of the Revolution must be disbanded, he is certain to have firm and perhaps almost immoveable ideas about which of its powers should be transferred to the Government and which to the Presidency.

Because Sr Eanes's principal contribution to the Revolution was to bring order out of the chaos that had developed by 1975, he can be expected to fight hard for what he considers to be a balance of powers in Portugal.

It would be unfortunate if that determination is only interpreted by the present Government as further evidence of "leftist" army officers wanting to keep a veto over the country's political development.

R. M.

Sr. Eanes: a detailed grasp of policy issues

Membership of the EEC will force the Portuguese to abandon their love of small business in favour of large-scale operations. Diana Smith reports.

Success has to involve a new way of thinking

THE PORTUGUESE are masters of small trading and small industry. They carefully nurse a small selection of clients who must be a little patient but will be well-served in the end.

Such skills befitted Portugal of the past, a deliberately isolated European backwater rife with small family businesses where industrial development, such as it was, was left largely to foreign capital or a handful of paternalistic Portuguese entrepreneurs.

There was little need to compete on international markets: the then colonies of Angola and Mozambique were captive outlets for both goods and manpower, banned from trading with the rest of the world.

But now, Portugal has opted to join a powerful, fiercely-competitive club — the European Economic Community. Small skills shaped by generations of tradition must surrender to attributes that are not germane to the national character: large-scale thinking, effective competition and long-range planning.

Attitudes towards investment need recycling: many industrialists appear to fear expansion or innovations that require substantial capital and may not pay off for some years. Response to a new, complex but generous Government-sponsored investment incentive scheme, which gives sweeping tax relief and cheap credit to new investment or expansion projects has not been particularly dynamic so far.

But industrialists' hesitations are understandable in many respects: Portugal has settled down only recently after the 1974-75 revolutionary chaos that penalised private businessmen. The assets of the major Portuguese banking and industrial groups were forcibly swept into the public sector — an enormous range of activities from basic industry through metallurgy, chemicals, shipbuilding and food processing to small textile mills. Workers indulged in marathon political activities or overt harassment of management or, simply, mass absenteeism.

Infantile

Only the bravest managers could face sometimes infantile onslaughts on their persons, premises and equipment. Meanwhile they had not only to hold the fort at home but to struggle to convince highly sceptical foreign clients that they could still fill orders and control the quality of their products. That, in many cases, they succeeded is a tribute to their grit.

Managers in the new-state-owned sector, meanwhile, had to face equally suspicious overseas clients, and do their utmost to drum up new markets. In some instances, only the determination to proceed with pre-revolution development projects like the refinery-petrochemical complex planned in 1971 for Sines in the Southern Alentejo, drawing wherever possible on Portuguese-made equipment, kept some large nationalised metallurgical concerns going in the latter half of the 1970s.

But the political decision in 1977 to apply for EEC membership gave Portuguese industry—private or public—a chance for a new lease on life.

The public sector has responded with ambitious expansion plans like those of Quimigal, merger of the once-privately owned Companhia Uniao Fabril (CUF), Nitratos de Portugal and Amoniaco Portugues. In 1980, Quimigal invested Es 11bn ($200m) in capital-intensive expansion and modernisation intended to raise it to the status of a West European scale conglomerate, producing basic chemicals, plastics, glass fibre, fertilisers, edible oils and household textiles, among other products.

Fifty per cent of Quimigal's investment financing comes from foreign sources, either suppliers' credits for equipment, Euromarket or World Bank loans.

The entire metallurgical and metallomechanical sector, meanwhile, is due for revamping under a feasibility study made by a subsidiary of the Italian group, Italimpianti.

Caught in early youth by the revolution, the sector has scored some notable successes, especially in manufacture of equipment for hydroelectric schemes often under licence from European majors—but the problem of delivery deadlines and impeccable quality needs close attention if the sector is not to be severely harmed by EEC accession.

Portugal's most ambitious and expensive project — the $2bn Sines area complex of refinery, petrochemical units, iron ore cleansing and pelletising plants and, if plans materialise, a network of large, medium and small manufacturing industries, is now closer to fulfilment. The refinery (capacity 10m tonnes a year) is already on stream running at 60 per cent capacity, and equipment for the steam cracker, high and low density polyethylene and polypropylene units is being tested prior to start-up.

The Companhia Nacional Petroquimica (CNP), the State-owned concern responsible for the overall petrochemical project is a lesson in determination.

Its board and staff refused to be daunted either by the 1973 oil crisis that harmed Sines's original rationale — cheap imported feed stock unloaded at a natural deep water port a short distance from the new units, from which processed products could be exported at minimum domestic transport cost — or the vicissitudes of the revolution.

They fought for the company's survival, placed equipment orders, pushed through negotiations with CDF Chimie of France for a 72 per cent CNP and 28 per cent CDF joint venture in the polyethylene and polypropylene units, fought and negotiated with communist-dominated labour unions to get on site workers and Portuguese-made equipment into operation without unbearable delays and nagged successive finance ministers for delivery of urgently-needed funds.

Whether the scale of the Sines operation justifies itself today is still arguable: but with general expansion of industry and individual consumption pre- and post-EEC accession, the domestic plastics market can only grow.

Still in basic industry, the national steel mills south of Lisbon are being expanded and modernised to meet rising demand, with a 1.2m tonne annual capacity. And, a crucial point if Portugal is to face the demands of new markets, huge Government funds are being poured into road, rail and port improvements.

While industries in the State-owned sector that are deemed viable will get about $1bn this year in funds for increased capital base and expansion projects, the publicly-owned lame ducks are being offered to the private sector as a swap for compensation in Government bonds for assets seized in 1975. There are few takers, so far.

Meanwhile, a younger, more energetic generation of Portuguese managers is climbing on to international flights, scouring traditional and new, developing world markets for buyers for a widening range of quality textiles, household goods, car accessories, processed foods and other new products for Portugal.

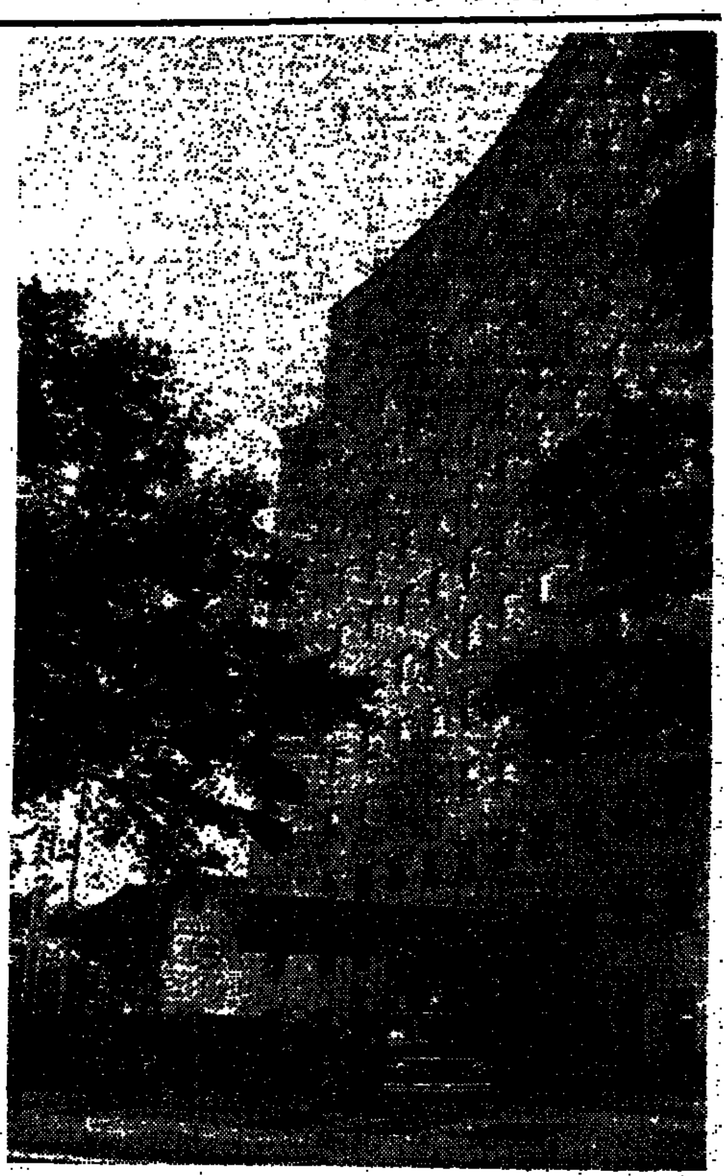
Their task is difficult. The Portuguese textile industry has been hurt particularly badly by shrinking orders, after feverish activity in 1979. But, whereas market crises would once have induced passive despondency—and mass lay-offs of workers on the slightest excuse, there is a whiff of a new resolve to find alternatives—like the enterprising button-manufacturer who could not bear to close his family business despite heavy losses. He had heard that the Middle East had money to spare, so with no contacts there and his savings spent on the plane fare to Saudi Arabia, by sheer willpower he talked himself into a thriving export business among the world's richest, fussiest customers.

The horizontal car accessories and parts industry—with inevitable teething troubles, being an entirely new venture for Portugal, is pushing hard for foreign recognition.

It was given birth by the 1977 Government decision to induce foreign car manufacturers to reduce imports of completely built up vehicles and assemble larger numbers of completely knocked down units in Portugal, using a growing Portuguese-made range of accessories. It is this sort of diversification which Portuguese industry badly needs, whatever the initial costs and risks.

Despite hesitations and the country's overall economic difficulties—not the best food for private industrial confidence—there has been much progress, most of all in the realisation that companies cannot be left to family whims: they must be managed.

Nowadays, newspaper advertisement pages are crammed with appeals by Portuguese companies for qualified young managers, sales executives, technicians and data processors: a far cry from the days when a bright young man with no connections was lucky to get a job as an underpaid clerk while a less-bright relative or friend of the proprietor sat on the board. If he turned up at all.



Glyn Genin

The World Bank headquarters in Washington. The bank is involved in financing the expansion of Quimigal, Portugal's publicly-owned conglomerate

Francisco Pinto Balsemao

FRANCISCO PINTO BALSEMAO, the newly appointed Prime Minister of Portugal, does not expect that he is going to be given long to prove himself. The first critical period for the new Government could easily occur this month, he believes, and the manner in which he handles it could well indicate the possible length of his premiership.

Sr. Balsemao is temperamentally, and probably intellectually, unwilling to maintain the ferocity of the barrage launched against President Eanes and the Council of the Revolution by Sr. Sa Carneiro. He will almost certainly follow much the same general lines of policy as his predecessor but in the more relaxed, urbane style which has characterised his career. His opponents believe, as a result, he will be unable to force these policies through and that before too long he will fall victim to his own lack of conviction.

Such assessments are based on Sr. Balsemao's earlier career. A lawyer by training, he first emerged politically as a strong critic of the pre-1974 authoritarian regime. His affluent background, his acceptance among the higher social circles of Lisbon and the slightly reformist ideas of Dr. Caetano when he took over as Prime Minister after the death of Dr. Salazar, all contributed to the publication of Expresso, which Sr. Balsemao quickly made the best and most intelligently critical of Portugal's newspapers.

As editor, Sr. Balsemao gathered around him a like-minded group of young men whose appreciation of the need for change in Portugal seemed based as much on the country's economic backwardness as on any burning ideological conviction. They gave expression to the frustrations of unwinnable African wars and the refusal of the regime to open the country to the sort of economic expansion which had been witnessed during the 1960s in neighbouring Spain.

Self confidence

The Prime Minister's Office and his Government today prompt memories of the Expresso premises seven years ago: youth, energy, charm and considerable self confidence. Sr. Balsemao, at 43, has changed little in his attitude to visiting journalists. He remains remarkably open and frank, apparently determined to answer honestly and, according to his worried staff, capable of putting in excessively long hours.

As befits someone who has studied his country closely for many years from a relatively independent stance, he can enumerate its problems and his priorities with easy fluency. His top priority will be to get out of the way "the political problems" (essentially the revision of the constitution) so that he can come to grips with what he calls the real political language of the 1980s—"the Common Market and all that entails for Portugal."

Sr. Balsemao's critics doubt however whether the domestic political issues will be dealt with so easily and suspect that the Prime Minister will lose heart when he has to cope with the daily frustrations of his job. He is not an impressive public speaker and like President Eanes is probably at his best with small groups of people. It is likely therefore that he will act more as the chairman of the Cabinet rather than as a highly visible leader and will not have too much difficulty in delegating authority.

But above all, Sr. Balsemao has to convince the entire political and business community of Portugal of his determination. In such a small city as Lisbon there are few people who have not heard of the Prime Minister's earlier reputation as something of a playboy with a penchant for fast cars, good restaurants, elegant company and international travel.

Even some friends, of whom he has many, wonder whether he would be happier influencing policy rather than making it. However, without exception they wish him well and this bank of support, coupled with his own well developed assessment of political possibilities and ability to compromise, could yet see Sr. Balsemao become the longest serving Premier since the Revolution.

R. M.

Government seeks to display its good intentions to the world

HAVING LOST an empire, Portugal also is looking for a role in the world. The preoccupation with revolutionary change, the building of democratic institutions and the birthpangs of political parties have until now left all too little time for the country's leaders to look beyond Portugal's shores and to frame policies which both reflect its interests and assist in developing its backward economy.

After the first flush of revolutionary fervour, the parties, with the exception of the Communists and the far Left, found it easy to agree on the desirability of joining the European Economic Community. In much the same way that an agreement with the International Monetary Fund can provide a seal of economic good housekeeping, so Common Market membership, or at least an application to join, offers evidence of democratic intentions. The eventual fact of membership and the unanimous political welcome given to the application by members of the Community was also seen in Lisbon as a further positive aid to the democratic process.

The new Government under Prime Minister Francisco Pinto Balsemao, like his predecessor, remains convinced that Portugal's security requirements are best served within the context of the North Atlantic Treaty Organisation.

Andre Goncalves Pereira, the Foreign Minister, has emphasised Portugal's commitment to NATO and, although such thoughts are rarely voiced publicly, there is little doubt that a continuing international role for the Portuguese armed forces is seen as a useful antidote to the excessive politicisation of officers in the immediate post-revolutionary phase.

> ‘The state of Portugal's external payments and its budgetary deficit problems rule out any larger military commitment to NATO.’

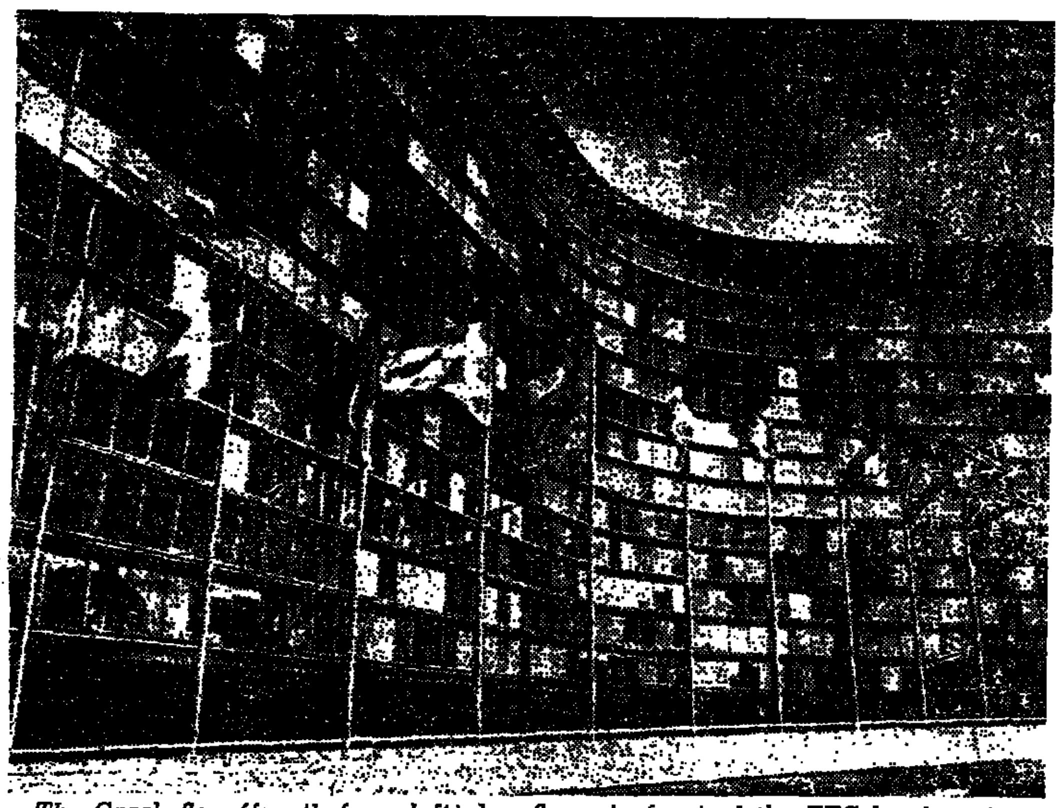
However, the state of Portugal's external payments and its budgetary deficit problems rule out any larger military commitment to NATO in the foreseeable future. But Portugal's strategic position on NATO's western flank, the value to the U.S. of the Azores as a staging post and the Lisbon Government's stated desire to assist further in bolstering Western European security, suggests important agreements on the provision of NATO facilities may be forthcoming in the next year or so.

This has become more likely with linked to President Reagan's parallel determination to develop the rapid deployment force and the support he is getting for this from the British Government.

Portugal may, however, deem it unwise to become too vociferously enthusiastic about the traits being shown by Mr. Reagan because of the possible damage this could have on the development of two other main foreign policy objectives — closer relations with Portuguese-speaking Africa and with the Moslem countries of the Middle East.

There is a wholly understandable enthusiasm in Lisbon about trying to establish closer cooperation with its former colonies of Mozambique and Angola. The opportunities for trade are considerable, as the Portuguese are only too well aware having until recently enjoyed an almost captive market there.

Portugal may also present itself to Europe and the West in general as the best possible bridge to this troubled area of the world, which, as the pressure on South Africa grows, is likely to become ever more important.



The Greek flag (fourth from left) has flown in front of the EEC headquarters in Brussels since January 1. Portugal's is unlikely to join it until late in 1984

Of course there are the never-to be underestimated emotional links between the former colonies and Portugal. Portugal's present Foreign Minister has alone visited Mozambique at least 20 times and there are few families in Portugal who have not in some way been involved in the former colonies.

Sr. Goncalves Pereira recognises that there are sharp ideological differences between the leadership in Lisbon and those in Mozambique and Angola but expects a general improvement in relations following the trauma of de-colonisation. This was particularly pointed in 1980 with an 80 per cent increase in trade (admittedly from a very low base) and the signing of several agreements for technical co-operation.

In response to Angola's request for 970 teachers last year, Portugal was able to provide about 800, among them people who had previously lived in the country. Ministers from Mozambique are visiting Lisbon this month and the Portuguese had a trade and technical team in Angola during February.

The Portuguese Government believes that the African countries are now convinced that it will not attempt in any way to interefere in their internal affairs. It also appears

> ‘The Government believes that the African countries are now convinced that it will not attempt to interfere in their internal affairs’

resigned to the fact that complex issues of compensation payments for former Portuguese assets are unlikely to be satisfactorily resolved. As one senior official stressed: "There are enormous potential benefits for all of us from much greater co-operation and we cannot allow the misfortunes of history, which the Africans rightly resent, to stand in our way."

The other key area of world interest for the Portuguese is the Middle East. It is something to which they have only belatedly awoken, not least because the 1973 Arab-Israeli war and the almost immediate quadrupling of crude oil prices only preceded the Portuguese Revolution by a few months. Portugal's massive dependence on imported oil, heavily emphasised by the current drought which has caused serious problems for hydroelectric power generation, has brought home to the Government the necessity of trying to secure longer-term supply contracts.

The further jolt provided by the Gulf War — Iraq and Iran were Portugal's largest suppliers —has made this even more imperative, especially as at least one of the international "majors" has proved more than a little sluggish in meeting Portugal's contractual agreements. The Portuguese Government has undoubtedly felt that at a time of tight international supplies there is a tendency for it to be relegated to the end of the queue and it does not want to be forced out into the spot markets.

The new Government's first foray into the Arab world was to have been made by the Prime Minister at the end of last month, a visit that had to be postponed because of a period of official mourning in the United Arab Emirates. However this programme will be reinstated and Sr. Pinto Balsemao has also arranged trips to Saudi Arabia where Portugal is about to open an embassy, and to Egypt this spring.

The Portuguese are anxious not to be seen as going cap in hand to the Arab oil producers, although this will be difficult to avoid given the circumstances. Instead they will be stressing their common cultural heritage and the part that Islam has played in Portugal. It may also not be entirely irrelevant that the Portuguese Government has provided the land for a mosque to be built in Lisbon.

Aware that their attitude to the Arab-Israeli conflict will be examined, the Portuguese are stressing that it differs little from the general Western European stance. They would like to see an Israeli withdrawal from occupied Arab territory and recognise, in the words of one official: "That the Palestine Liberation Organisation represents at least a large sector of the Palestinian people."

Israel maintains an embassy in Lisbon and although relations between the two countries may cool a little as a result of this new Portuguese emphasis on the Arab world, there is no immediate reason to think they will deteriorate seriously.

But interesting and profitable though the Middle East and Africa may prove for Portugal, it has to be Europe which will dominate its foreign policy over the next few years. Membership of the Community is now unlikely to be realised until well into 1984, for reasons, according to the Portuguese, that are far more related to Europe's problems in reaching a consensus than on any hesitation or conflict in Lisbon.

Although it is argued that Portugal needs as long a period as possible to prepare itself for the impact of entry, Ministers are perhaps more fearful about the consequences of delay. There are two components to this anxiety; first, that economic forces within Portugal which

> ‘The Portuguese are anxious not to be seen as going cap in hand to the Arab oil producers, although this will be difficult to avoid.’

may now be merely hesitant about membership will become steadily more opposed, and second, the issue of Spain.

Portugal has consistently demanded that it should be considered separately from Spain because of the major differences between the two countries and because the impact of Spanish membership on the Community will be far the greater. However the recent coup attempt by the military in Spain has given fresh emphasis to the Portuguese case.

"Whatever happens in Spain is of direct and immediate consequence to us," explained a senior official. "It is the only country with which we have a common border, it is very much bigger than us, and we cannot hope entirely to escape whatever diseases Spain catches."

A return to military government in Spain is seen in Portugal as a real possibility and although the Government may not be immediately fearful that this would strike a response from its own armed forces, Ministers would doubtless feel more comfortable with the democratic strength of the Common Market around them.

The motivation which prompted Portugal's initial membership application feels as strong today in Lisbon as ever. If anything, the present Government is more determined to carry that policy through. The real sadness would be for Europe, because of its own domestic difficulties, to frustrate or seriously delay those same ambitions which it initially so warmly embraced and encouraged.

R. M.

Warm welcome for foreign investors

FOR GENERATIONS, Portugal was a docile host to foreign interests. Having little faith in its own management capacity, it left running of major utilities to outsiders: the British ran the telephone system and Lisbon's transport service, and Belgians ran the gas and electricity company. More often than not, foreign, not Portuguese entrepreneurs did what little work there was on mineral resources. When more substantial industrialisation began in the 1960s, much of the impetus came from non-Portuguese capital.

In many instances it was a controversial impetus. Repressed and cheap labour plus laissez faire official attitudes towards movement of capital and profits attracted the sort of division of labour that had low-skilled female Portuguese labour assembling one component in Portugal, while others were manufactured in other low-cost countries. Came the 1974 coup, and an explosion of labour claims, and numerous foreign concerns hastily shut up shop.

There were severe traumas. Not surprisingly, the Communists and their tied Trade Union Confederation found excuses for a long bout of xenophobia aimed mainly at the transnationals but also hitting smaller concerns who had not pulled out, and whose foreign management suffered frequent problems until political stability began in late 1975.

Since then, Portugal has welcomed foreign investment. It now has a comprehensive foreign investment code that stipulate general conditions, submitting all applications to case by case authorisation, and placing stress on the importance of transfer of technology.

In view of Portugal's need rapidly to diversify production in specific areas, a list of priorities for foreign investment was established in 1980 with a particular emphasis on development of exports. Furthermore, foreign capital has access to generous new investment incentive schemes afford tax rebates and cheap credit.

There are priorities for development of technology through foreign contributions: in traditional areas like textiles, ceramics and cork on the one hand, on the other, advances in new areas: electronics, semi-conductors, packaging and packing, telecommunications equipment, automation, data processing and transport or handling equipment.

Meanwhile, foreign investment is solicited in the priority areas of food canning and preserving, condiments and aromatics, inorganic chemicals and pigments, pharmaceuticals, animal by-products, machinery and electrical equipment, car parts and accessories, bicycles and motorcycles, aircraft manufacture and repairs, and medical, surgical, optical and precision instruments . . . all areas in which Portugal currently lacks production.

Open country

Portugal now considers itself a particularly open country to foreign investment, but there are legal provisos. Some, under review, were motivated by the socialising urges of the 1974-75 Revolution, others by a desire to prevent wildcat property speculation or swamping of Portuguese industries by outsiders.

Access by foreign capital to the banking sector is discussed elsewhere in this survey. Meanwhile, the hands-off policy towards heavy industry instigated in 1975 has been countermanded by the 32 per cent share taken by CDF Chimie of France in three downstream units in the State-owned Sines petrochemical complex.

Real estate investment is a delicate subject in a country which watched with dismay tourist urbanisation of the coast of neighbouring Spain. Therefore, purchases of all pieces of property of more than 5 hectares (12.5 acres) must receive Government authorisation, and the Government keeps a watching brief over foreign investment intentions in hotels or other tourist developments.

It is in property that modest signs of Arab capital have manifested themselves. While the authorities of this oil-hungry country heartily welcome Arab interest that could ease huge deficits with Middle East oil producers, they would not favour a high tide of Arab property capital such as that which flowed over London. They would rather see Middle East investors put funds into industrial development.

With the lowest wage scales in Western Europe plus a labour force that, by all accounts, adapts quickly to new skills and works conscientiously — under competent management, according to a much-repeated rider — Portugal's human resources hold attractions for foreign investors. Its geographical location and the money being put into major port and highway improvements offer a favourable framework for export-oriented investment. Barring an eventual failure of ambitious conservatives to accept moderate Government, Portugal seems well on the way to genuine political stability.

An assessment of the recent military upheavals in Spain and a *tour d'horizon* of Portugal's political and military trends makes it possible to conclude that here, democracy is developing healthier roots and that there is a genuine desire, not merely pragmatic resignation, to spur progress towards West European political moulds and living standards.

The help that Portugal needs in active recognition by its Western friends of conscientious efforts to modernise, redistribute income and abolish lingering social injustices and the radical temptations they breed is massive. The country's rulers would like to think that this recognition would translate itself into financial and industrial co-operation.

No miracles

Europe's economic problems are realistically acknowledged here: miracles are not expected, but thoughtful investment in stabilisation and modernisation of the Portuguese economy is considered not so much an altruistic gesture as an essential spur to continuing political stability.

Although understandable in view of the chaos of those times, the vertiginous post-1974 drop in foreign investment not only hurt economic development, it gave a peg on which the revolutionaries could hang arguments for wildcat experiments and xenophobic rabble rousing. Such disruptions no longer apply.

The growth of direct foreign investment or reinvestment in the past two years reflects the gradual return of confidence: 1978 investment approved by the Foreign Investment Institute — responsible for processing all applications — came to Esc 2bn ($35m). This figure doubled in 1979 and again in 1980, when investments of Esc 8.56bn ($152m) were authorised.

Sixty per cent of 1980 investments came from EEC sources: 17.2 per cent from France, 18.9 per cent from West Germany, and 13.8 per cent from the UK, and 21.5 per cent from EFTA countries, with Switzerland taking 11.8 per cent of all authorisations.

Some recent authorisations, like the $2m investment by Yoshida of Japan in the biggest zip fastener factory in the world, and participation by capital from Zaire in the $8.5m purchase of the Vimeiro Spa and mineral water concession reveal that, gradually, Portugal is attracting interest from broader geographical and economic areas.

It would certainly like more Japanese investment, and is soon to welcome a large Japanese trade mission.

In a long-neglected area crucial to Portugal's [illegible] mineral prospection and development, Shell-Billiton has been authorised to prospect for high-grade minerals—some years after Shell Oil gave up prospecting for Portuguese oil.

Hopes of finding domestic oil still beat bravely in the Portuguese breast. There are three searches by foreign concerns under way or just about to begin: onshore in the *Lourinha* area by Sceptre Resources (Dome Petroleum), another in the onshore Tomar-Siria-*Alcobaca triangle* by Union Texas and the third in Algarve offshore waters by Esso.

Overall Portuguese investment grew by about 7 per cent in 1980. From now on the Government hopes to see annual investment growth of close to 10 per cent.

Diana Smith

Sr. Goncalves Pereira

ANDRE GONCALVES PEREIRA was only 33 when he received his first invitation to be Foreign Minister. But the time was 1969. Portugal was fighting a controversial colonial war, its regime was hermetic and the young law professor felt that political conditions were not suitable for him to take on the job.

But in 1981, with democracy developing sturdier roots in a country that now has a broader international outlook, Sr. Goncalves Pereira readily accepted the invitation of his old friend and law defa partner, Francisco Balsemao, to tackle a Foreign Ministry which must modernise and expand as Portugal prepares for EEC accession and embarks on an intensive effort to build up trade relations around the world.

Like most of the Balsemao Cabinet, Goncalves Pereira is young: unlike the rest, he is a political independent, not a member of the Social Democrats, Christian Democrats or Monarchists who comprise the ruling Democratic Alliance.

He is also wealthy, and sees his political and financial independence as something of an asset in his new job, on a par with the grounding in international law that was his chosen subject at Lisbon University, where he graduated in 1958. Goncalves Pereira was considered one of the most brilliant students to pass through the university.

Armed with a Ph.D. and post graduate work at the Academy of International Law at The Hague and Harvard University, Goncalves Pereira became first Associate then full Professor of International Law at Lisbon University. He has lectured on his subject at universities in the U.S., Brazil and Europe. In the 1960s he served as legal adviser to Portugal's UN delegation.

Law is not his only passion: sailing and music share pride of place—and he hints that his true ambition was to be an orchestra conductor—perhaps relevant for a man now holding the brief to harmonise Portuguese diplomacy.

That diplomacy, slower than in other nations to wed classic methods to export promotion, needs beefing up and it will be incumbent on Goncalves Pereira to get the new trend moving as fast as possible, with a tight allocation that is only 1 per cent of the overall Government budget.

It means opening new embassies, especially in the Middle and Far East and increasing staff in several existing embassies.

Goncalves Pereira's close friendship with the Prime Minister and their common strongly-international outlook gives him considerable pragmatic leeway, within the framework of adamant commitment to the Western Alliance and the Government EEC priority of priorities. With a difficult trading year for Portugal—dependent on the outside world for all its oil and over half its food—a touch of pragmatism will patently be necessary.

D. S.

Power supplies dwindle as drought tightens grip

THE NEON signs that add a splash of modern colour to Lisbon's elegant Avenida da Liberdade have gone dark. Monuments to past history have lost their floodlights. Voltage has been cut by 5 per cent and industry has been told to cut daily electricity consumption by a quarter.

Television programmes must stop at 11 pm and housewives have been asked to use their washing machines and irons between the hours of 10 pm and 6 am.

The country with the lowest per capita energy consumption in West Europe—less than one tonne per annum of oil equivalent—is suffering from the worst drought since 1881, and because it depends on hydro-electricity for 60 per cent of demand, supplies are threatened.

Reservoirs have dropped to less than half normal capacity. France is providing 25 per cent of national demand, at a monthly cost of $20m and if the French suffer a severe late winter freeze, Portugal will be in real trouble.

Measures taken by the Government to reduce demand have already reached "stage two" of a three-stage crisis plan. The third stage, if it happens, will be daily power cuts lasting between 1½ and six hours. This will, of course, have dramatic effects on industry caught by failing power supplies at a moment when it is trying to grow to EEC proportions.

With a recurrent history of droughts, Portugal needs to find alternatives to vital hydro-electricity. Hydraulic projects conceived in the early 1970s on major and minor rivers will be completed—but from now on, the shift to coal will be more marked. By the year 2000 the plan is to generate 60 per cent of demand from coal—a solution not without its drawbacks.

Portugal's mines can only produce about 200,000 tonnes a year of low-grade, high-ash coal. Coal-fired power stations of the future, like the 300 mW unit at Sines in the south, will require annual imports of millions of tonnes.

To save transport costs most coal-fired stations will be built near ports, nevertheless coal storage requirements of the future worry many experts.

Thus, because Portugal has substantial reserves of uranium, 20,000 tonnes measured, over 80,000 tonnes inferred, the pressure to go nuclear in the next 10 or 15 years can be understood.

In 1976, this option was rejected because of its pressure on the balance of payments through the cost of imported equipment and technology. But today, greater knowledge of domestic uranium reserves, and the rising costs of hydro-electric and coal-fired units have cancelled out many 1976 arguments, and it appears that a nuclear decision will be taken in 1981.

The intention to accede to the EEC means that Portugal will increase electricity demands by 7 per cent annually—having had a rise in annual demand of more than 10 per cent recently.

At the same time, growing industrialisation and higher living standards will mean greater use of oil derivatives. A gloomy prospect at today's high crude oil prices for a country which has not found a trace of native liquid hydrocarbons and, in 1980, had to import 8m tonnes of crude and 1.6m tonnes of refined derivatives.

Doubts

For years there has been prospecting for offshore oil. Recently the first onshore efforts began. But while some officials are optimistic, several experts doubt whether anything other than modest quantities of natural gas will be found. Thus, reliance on the outside world for oil would seem to be a fact Portugal has to live with.

Mindful of this, the Government has determined that between now and the year 2000 some $40bn will be spent on developing and strengthening domestic energy resources—a hefty sum for a small country, with a current GDP of $18.5bn.

This includes development of solar projects — logical in a country with a high sunshine average. The national savings bank now offers 100 per cent financing over 10 years at low interest for purchase of domestic solar roof units, while the West German government is providing financial aid and technical assistance for large-scale solar electricity or steam projects.

Portugal's largest dairy co-operative is preparing to draw 20 per cent of its steam requirements from a German-financed solar steam unit. On the frontier with Spain near Badajoz, an ambitious German-financed solar electricity project (25 mw) should eventually be set up.

Meanwhile, all viable alternative energy sources are studied. Portugal does not have the large arable areas that could grow alcohol - generating vegetable biomass, but other biomass sources are proving useful.

Having been as slow as the rest of Western Europe about contingency plans for the post-1973 oil crisis, Portugal is now aware of the harsh realities and is showing considerable ingenuity in developing wind and tidal energy collectors.

Yardstick

Meanwhile, with the lowest ratio of motor cars per inhabitant in Western Europe—one for every 13 inhabitants—petrol consumption is less of a worry than the consumption of fuel and diesel oil by industry and heavy transport.

The private motorist who now pays Es 50 (41p) for a litre of petrol unwillingly finances, through punitive petrol taxes, subsidised fuel and diesel.

Because the Portuguese, like most other motorists, show few signs of abandoning their automobiles whatever their running costs, the government uses a judicious yardstick on periodic increases of oil derivative prices. It raises the price of a litre of petrol enough to cover the rising cost of crude, but not so much as to scare drivers into selling their cherished Fiats, Renaults, Volkswagen or British Leyland Minis, responsible for 11 per cent of oil derivative consumption.

New car sales rose by 12.5 per cent in 1980, despite last year's sharp rise in the price of petrol. Thus it appears that the authorities have gauged the financial stamina of Portuguese motorists correctly.

There are fuel-saving campaigns—focused on avoidance of waste through bad engine or boiler maintenance—and at this critical time for electricity supplies, urgent pleas to switch off whenever possible.

The response is not always perfect. After the ban on neon and other illuminated signs was imposed, the Premier, Sr. Francisco Balsemao, chided state-owned companies publicly for failing to comply and warned that the police had been instructed to do whatever was necessary to persuade citizens "to do their duty."

The threat of having all their power cut off for persistent refusal to switch off non-vital signs has had its effect. The growing number of dark patches around Lisbon indicates that a pragmatic sense of public duty is developing.

It is also developing among private consumers, who have been told that if meter readings exceed 90 per cent of those for the same month of 1980, their bills will go up 100 per cent.

D. S.

Sr. Mario Soares

NOT LONG ago Mario Soares was Portugal's most charismatic, internationally-respected politician. His gallant fight to presere civilian politics in 1974-75 from communist hegemony earned him enough popular votes in the country's first free general elections in 50 years to run a minority government until 1978.

It was at his instigation that Portugal took the first steps, in 1977, to apply for EEC membership—the guarantee, to Sr. Soares, of the democracy of the future.

But now Sr. Soares faces a severe challenge for the party leadership from a groundswell movement of young, moderate socialists. He is fighting as pugnaciously as ever, but his opponents have strong support in the Socialist parliamentary group of 66 deputies. No Socialist needs reminding that the party share of the popular vote dwindled from 38 per cent in 1976 to 28 per cent in October, 1980 with Sr. Soares at the helm.

Sr. Soares' fate and the party's chances of abolishing erosive factiousness and whipping itself into internally democratic well-organised shape are watched with anxiety by the ruling alliance of Social Democrats and Monarchists.

The impending review of the 1976 constitution requires a two-thirds Parliamentary majority — something the alliance cannot provide on its own. It needs Socialist co-operation, preferably from a party with a clear idea of where it wants to go.

Dedication

Demoralised after the vicissitudes of the 1976-78 minority Socialist governments which turned many voters away from the party, the rank and file has now sensed that its main troubles come from party origins. It was formed in exile in 1973, by Sr. Soares and a group of trusted friends. In Portugal itself the socialists were more an idea than an organisation, propped up by dedicated ageing Republicans and Freemasons.

When the April, 1974 military coup gave political parties an active lease of life after 50 years of oppression, the socialists were thrust to the forefront without time to get organised. They had a leader who excelled at rallies, brilliant Parliamentary debate, and gregarious flesh-pressing, but was visibly bored by routine party meetings or daily Cabinet business, and who listened to flattering cronies rather than regional leaders.

The socialists' structural problems worsened.

Often isolated from the rank and file, in whose name he sometimes spoke without prior consultation, Sr. Soares received a severe shock when his peers rejected his demand that support be withdrawn from President Ramalho Eanes' December campaign. President Eanes, trying to woo centre-right voters, undiplomatically recalled how he had dismissed Sr. Soares in 1978.

A proud man, Sr. Soares felt the President had slighted his honour. He inferred that his peers had a choice between him and the chief of state. The choice of the chief of state meant that they had obviously been "manipulated." Insulted at the suggestion that they could not think for themselves, his peers allowed Sr. Soares the face-saving expedient of suspending himself from his party functions until the December elections.

Since then Sr. Soares has had difficulty in drumming up a counter-movement against opponents he dismisses airily as a bunch of "technocrats and activist Catholics."

An immensely articulate man, with the lawyer's instinct for the savage epithet, he has always been at his most dazzling backed into a corner.

But the urge for political *peace and quiet that has manifested itself in Portugal* seems to have spread to the socialist heart, where Sr. Soares is often seen as a potentially divisive factor for whom an honourable but less influential position should be found.

D. S.

Changing the face of agriculture a daunting but essential task

FOR THE men who must transform Portugal's agriculture before the country joins the EEC, the Polish crisis is a sort of recurring nightmare.

From Salazar's corporate state, Portugal inherited the same sort of structure that long protected Polish consumers from real market forces. Now that the Portuguese have to shed that protectionism, Ministers are biting their nails about how to avoid meat riots.

With the countdown for entry into the Common Market already begun, Portugal finds itself in the extremely vulnerable position of importing 60 per cent of its food and of being a virtual U.S. grain protectorate. The Portuguese desperately need to increase their own agricultural production, but successive governments have postponed taking the politically-sensitive measures that are needed precisely because these will bite very deep into the pockets of voters.

Now that the Government of Prime Minister Francisco Pinto Balsemao has a mandate to rule Portugal until 1984, it can hardly avoid setting in motion the price increases *that should change* the agricultural face of Portugal.

A frequently-quoted figure, based on the last census in 1973, is that 30 per cent of Portugal's working population is engaged in agriculture, but only accounts for 10 per cent of the country's gross domestic product. The result is that Portugal will this year be importing nearly 1m tonnes of wheat and over 3m tonnes of yellow corn, mostly from the U.S. The country with the lowest per capita income in Western Europe was thus in 1979, America's eighth-biggest client for corn, the 11th for sorghum, the 14th for rise and the 18th for wheat, and the more the standard of living goes up, the bigger the food import bill gets.

The *simple economic truth* is that nothing will change, Agriculture Minister Antonio Cardoso E Cunha explains, as long as feeding corn to cattle works out cheaper than improving pastures or as long as Portuguese millers have access to the world's lowest-priced wheat. But in a country where cheap food was introduced as a guarantee of political peace and where the fight against inflation has become an obsession, the resistance *to changing prices* is huge.

Impact

The Ministry of Agriculture sees freeing prices as the only instrument for getting Portuguese farmers ready for the EEC, but the Ministry of *Finance is more worried* about the likely impact on inflation.

Portugal's new Secretary of State for European Integration, Joaquim Ferreira Do Amaral, points out that there might indeed be more than 800,000 small farmers in the country, but that there are hardly any agricultural producers. "We have a huge mass of subsistence farmers—men with tiny plots of land who do not produce enough to pay any taxes and who just live on what they grow and manage to sell by the roadside."

At least 70 per cent of Portugal's rural population is estimated to be illiterate, the average age of the agricultural workforce is continuing to rise as the young men leave the countryside in search of jobs, mostly in Northern Europe. These illiterate farmers are not capable of filling in the forms the Government needs to get accurate statistics and they will certainly not be able to afford to hire accountants to help them with Value Added Tax when it is introduced.

Making an exception, the EEC has granted Portugal pre-accession aid mainly to help it improve its transport system and rationalise its agriculture. But there is no prospect of these subsistence farmers changing their ways to join co-operatives, *redistributing their parcels of* land to make them easier and cheaper to farm or entering any of the other schemes the Government is *trying* to promote unless they find it either financially worthwhile or essential for their survival.

The Secretary of State for Integration foresees a *10-year* transition period for Portuguese agriculture after entry into the Common Market. During that time the small landholders and their heirs should slowly drift to the cities, leaving their tiny plots in the hands of the more enterprising local farmers *and returning once in a while* to collect their share of the produce—a barrel of wine or fresh fruit and vegetables. But that also depends on sufficient numbers of jobs being created in *the cities.* That is why the Minister of Agriculture says farming cannot improve in Portugal until industry develops.

Pushing a traditionally conservative rural population off the land and into factories and cities also has worrying political *implications,* especially if the Government that has to do it relies on precisely these areas, particularly in the densely-populated and religious north, for most of its votes.

In Europe, only the Communist states of the East still retain the same system of mono*polies which* control Portugal's trade in grains, oilseeds and sugar. Most of them were set up by Salazar when he turned Portugal into a corporate state and these *rigid machines* were strengthened when the Communists partially took over government after the 1974 revolution.

These monopolies will have to be dismantled before Portugal joins the Common Market and *the Government* wants to use their break-up to start scaling down the subsidies that largely insulate consumers against rising world market prices.

It is at this stage that Polish nightmares start haunting the Government. The ruling Democratic Alliance plans to do things very gradually so as to soften the impace on consumers. On the one hand, the Government has started an advertising campaign with familiar wartime jingles like "Too much sugar is bad for you" or "One egg equals one fish. One egg equals one steak. *Why not eat more eggs?*" On the other, it is working out a complex system of welfare benefits that will *mean food prices will rocket for* the rich, but should stay roughly the same for the poor.

The trouble is that the Minis*try of Finance says it is still* worried by the thought of a large number of people — the poor—being much more money to spend. What will happen to the money supply and inflation?

In the Alentejo, a land that entered revolutionary folklore after the dictatorship was overthrown and the labourers of the south started taking over the properties of the big landowners in 1975, an Australian expert is *testing new grass strains. The* project is being funded by the World Bank and the aim is to populate with sheep poor soils that are at present encouraged to produce wheat due to *Salazarist subsidies.*

Port wine vineyards in the Douro Valley, north Portugal

At the Ministry of Agriculture, officials insist that the success of this idea also depends on forcing local farmers to change their ways by making sheep-rearing *far more* profitable than wheat-growing. Hence the need to take away *the wheat subsidies and send* bread prices to the sky. The Ministry of Agriculture sees it as a question of selecting the right soils for the right crops, but if the project gets off the ground, it means even fewer jobs on the land in what has traditionally been Portugal's *bread basket.*

The Minister of Agriculture himself admits Portugal will never become self-sufficient in corn and oilseeds, but that it can at least try to compensate for such expensive imports by encouraging poor soils to be used for timber, cork, resin and *eucalyptus pulp exports.* The trouble with the present system is that it does not matter whether a farmer produces good wheat or bad, he always gets the same subsidy from the state monopoly, calculated entirely according to quantity.

The future of Portuguese agriculture as it prepares to enter the EEC, therefore, depends entirely on Government decisions that are needed to *modernise* farming but *whose* price in social and political terms could be very, perhaps too, high.

In 1880, the then British Consul in Oporto published a book called Portugal Old and New. At one point Mr. Oswald Crawford, who fancied himself *as something of an agricultural* expert, wrote: "Farming in Portugal is at a standstill and it has moved very little for some 1,400 years."

Near Lisbon, across the Tagus river from Vila Franca de Xira, *families of sharecroppers set up shop along a long* straight road every summer and sell the melons they have grown in their strips. Hardly anything has changed in the dress and habits of these wandering peasants since British travellers first described them in the 19th-century. They represent tradition but they are unlikely to survive entry into the EEC.

The Common Market itself often reproaches Portugal for *its slowness* in presenting concrete projects to draw on funds that have already been allocated as pre-accession aid for this country. "We can set up schemes, but ultimately we have to deal with men. W ecannot force farmers to do something they do not want to do," *one senior official of the* Ministry of Agriculture explained.

Ultimately, the problem of Portuguese agriculture also is a human one and the modernisation of farming depends on the country's most conservative class, many of whose members are sticking to traditions that are centuries old. Pricing them out of their habits or even off the land is a cruel solution, but it seems to be the only *weapon in the hands of* a Government that simply must reduce Portugal's dependence on imported food or else face a crippling bill in EEC levies.

Nightmare

In the case of fishing, the nightmare that haunts the Portuguese is what will happen when both Iberian neighbours join the Common Market. Portugal's fishing fleet is the oldest in Europe. Its productivity levels are the lowest. But Portugal has on its borders a Spanish *fishing fleet* that is bigger than that of all 10 EEC members combined. In 1969, an internationally-isolated Portuguese Government that was desperately in search of diplomatic support for its colonial policies in *Africa, gave the Spaniards* unrestricted fishing rights in Portuguese waters for 20 years.

The Portuguese have been trying to row back ever since. This year, talks between the two neighbours on fishing licences broke down and the head of the Spanish delegation was already *at Lisbon Airport preparing* to return home empty-handed when he got a last-minute call from the Madrid Government telling him to accept whatever terms the Portuguese *offered.*

The Portuguese are *extremely* worrid about what will happen to their 200-mile exclusive economic zone and what historic rights the Spanish will be able to claim in it once both countries have joined the Community. That is why the Portu*guese Government is getting* tough with its big neighbour so early on in the game. The Portuguese also know that in the present EEC fishing dispute it is the British who are fighting their battle. A British victory over exclusive fishing rights would help protect Portu*guese waters against* a Spanish invasion.

The Portuguese are trying to secure new fishing rights for *their fleets* around Africa and North and South America, but, as with agriculture, the basic problem is poverty, technical backwardness and lack of interest by investors. Two-thirds of the Portuguese fishing vessels do not have engines and although the World Bank has offered to fund fishing *projects,* the Government complains that its greatest problem is exciting businessmen into investing in a really modern, industrial fishing fleet. Fishing is a dying trade. It is just one more reason why, apart from less meat, the Portuguese will also have to eat less fish.

By a Special Correspondent

Holidays at a gentle pace

THE TOURIST who prefers to play it safe need not fear Portugal. He can avail himself of package deals in the Algarve, with its fine beaches, or north west of Lisbon on spectacular bluffs, in pleasant hotels that once housed sleepy Portuguese families in the summer and have now gone international.

But to many, Portugal's greatest charms are reserved for the potterer: the traveller with time and curiosity enough to investigate scenery that is amazingly varied for an area of only 96,000 sq km, sample local food and wines that rise from the simple and sturdy to standards that rival the best of Europe, and discover a population that is exceptionally hospitable to foreigners, whether in isolated villages or large cities.

Portugal is no longer cheap, when compared with its rock-bottom prices of less than a decade ago — but it has not yet turned exorbitant.

Modest

A single room in Lisbon's five star hotels costs £17-22 a night, including breakfast. For travellers on tighter budgets, the country offers a vast range of hotels, pensions and pousadas — Government-run inns on the outskirts of provincial towns—at prices that are particularly modest compared with most West European nations. All are clean, nearly all have private bathrooms, and the pousadas, particularly justify a side trip for their antique furnishings and regional culinary specialities.

Portuguese cuisine can be heavy and oily, but by concentrating on the almost-inexhaustible variety of fish—bream, bass, grouper, red mullet, fresh, *grilled sardines* in summer, whitebait, porty or shellfish (now very expensive)—the visitor can increase his protein intake and enjoy himself simultaneously.

Some fine restaurants of Lisbon easily bear comparison with elegant establishments in London, Paris or Rome. This is the case of Tagide—on a hill with a sweeping view of the Tagus from its glassed-in terrace. It specialises in the Portuguese haute cuisine—especially game—with a cellar that confuses those who think that the Portuguese table wine is Mateus Rose.

Equal elegance, good food and service are the hallmarks of Tavares, a 19th-century leftover, and the Aviz, which, amid thick curtains and carpets, serves gourmets' delights with loving care rarely at less than £20 for two. It is worth the investment for clients who avoid resort garb or loud voices: these will be hidden at the darkest tables.

As they do in Paris, Rome or Athens, tourists sometimes forget that Lisbon is not merely a stop on their itinerary: it is a capital city prone to formal dress and manners.

The instinct of the Portuguese is to be courteous to all visitors, but that natural urge falters in the face of women in skimpy sundresses or outsize Mexican sombreros in the streets of a political and business centre. Fishwives — Lisbon's brawniest, most raucous denizens — have been known to deliver painful smacks to the backsides of men or women in shorts, with screeched obscenities that would make a sailor blush.

The less conspicuously a visitor dresses, the less likely he is to be marked for special attentions by highly professional pickpockets working the Lisbon underground and buses: unfortunate exceptions to Portugal's exceptional and overall honesty.

But a traveller with time should look beyond Lisbon. The roads have improved greatly, particularly southward through *the sleepy Alentejo, where hills* and mountains are topped with ruined castles, a memory of the region was the "invaders' corridor" through which passed conquering Romans and Moors.

In the Alentejo, there are whitewashed market towns like Evora, graced with arcades, a ruined Roman temple, a medieval cathedral and one of Portugal's loveliest pousadas, set in a former convent, or the hilltip village of Marvao. From its heights you can see far into Spain on one side and over wide stretches of Portugal on the other, while falcons slide in the wind, and hoopoes perch briefly in the fruit trees below.

To the north east, the terrain rises into the rocky ranges around Guarda, once the seat of Portugal's Sephardic Jews, the country's highest city, on the Spanish border. Further still north, into Braganca and the land of Tras-os-Montes—behind the mountains—life drifts back many centuries to cloaked shepherds surviving a diet of potatoes, kale and firewater—88 per cent alcohol—to a ripe old age.

In spring, mountains of the north and flatlands of the south are carpeted in flowering trees—a distraction for motorists who must negotiate vicious hairpin bends. But travellers can soothe their nerves at a village tavern and doze in a tree-lined square, or under a fragrant pine or eucalyptus.

Roman ruins

They can stock up in local stores on pungent garlic sausage and demijohns of cheap red or white wine, free of the headache-making chemicals that mar cheap wines in other countries. They can buy fresh country bread and fruit of the season from roadside stalls in the centre region, rich in china clay *and red soil. Visitors find attractive* pieces of porcelain or faience—crafts first learned from the Romans or from the Chinese, to whose shores Portuguese navigators and traders travelled in centuries past.

The archaeologically-minded can visit Roman ruins at Coninimbrago near the university city of Coimbra, in the centre—itself a living museum, or, in the archeological museum in Cascais, not far from Lisbon, inspect stone age artefacts.

In Lisbon itself, the Gulbenkian museum boasts what is arguably the finest collection of Oriental tapestries and porcelain in the world — the heritage of the oil magnate who took shelter in Portugal during World War Two and bequeathed his treasures to the Portuguese in gratitude for their hospitality. The museum also has a large collection of pre-Raphaelites, and some good Houdon sculptures.

Portugal has been a little diffident about advertising its assets, yet tourism is a vital factor in its balance of payments, hammered, as in every other non-oil producing country, by the rising price of crude.

Authorities, having witnessed the blight of coasts of neighbouring Spain, are nervous of mass tourism and the architectural eyesores it can bring in its wake.

Here and there, those eyesores have begun to sprout, especially in areas not far south of Lisbon. But much of the coastline remains unspoiled. Often is it staggeringly beautiful—as wild and rocky as the west of Scotland in some parts, or green and softly-rolling, as it is near Malveira, only 30 miles from Lisbon.

There are long stretches of white sand, or sheltered coves scattered with rocks that serve as backrests, there are fishing villages that still function as communities and not as animated postcards for passing travellers, where women mend the nets, shrouded against the heat of the sun while children play in the sand.

Above all, in this oceanside country, there is time, passing slowly on a shimmering day on a terrace bluff, with a plateful of giant prawns or crayfish and a bottle of chilled white wine, watching freighters and fishing boats slip by the southwestern-most tip of Europe with nothing between you and South America but blue-grey ocean.

D. S.

Thousands flock to the beach at Estoril — Trevor Humphries

The North thrives on hard work

LISBON CHATS while the north works, claims the northerner. Lisbon argues that it is no drone—it just does not make an aggressive issue of the work ethic.

For a country as small as Portugal, with only 96,000 square kilometres of territory, the gap in attitudes between its two largest cities, Lisbon and Porto (which the British will call Oporto) is surprisingly wide.

About the only common characteristics are hills and location near the mouth of the country's two major rivers—the Tagus for Lisbon, the Douro for Porto. The rest is rivalry and the disdain for Lisbon expressed throughout the north reaches the point where sometimes—only half-jokingly—it is suggested up there in the land of rugged individualists that Lisbon could sink into the Tagus without causing a political or financial ripple.

Meanwhile, the north unquestionably works hard, whether in city or countryside.

But, in one particularly serious case, the combination of conservative individualism and industriousness does not merit unqualified praise. The north is the land of hundreds of thousands of minuscule plots, usually growing vines, a little corn or potatoes, kale or other greens. For decades, mindful of Portugal's crying need to modernise agriculture and ease present dependence on imports for half its food, agronomists, technicians, foreign advisers and government officials have worn themselves out trying to persuade small farmers to get together with relatives or friends, knock down stone dividers between their little spreads, and recognise the benefits of size and mechanisation.

The answer, almost unfailingly, is a curt refusal. He inherited his little plot from his father, it may be less than half a hectare in size but it is his. He does not want to share his brother's plot or let his cousin have access to his vines.

Ferocious

He will sell wine to one cooperative, or ewe's milk to another. But his sense of property and resistance to modern methods remains ferocious. With Portugal aiming to accede to the European Economic Community on a reasonably stable footing in 1983, the obstinacy of hundreds of thousands of small farmers causes chronic headaches, for which so far, no cure appears available.

The north once concentrated on textiles, mainly small concerns with tight profit margins and a few larger enterprises scattered around the Minho. Diversification has begun, into light industry and car accessories, among other things. While the textile industry has successfully made the transition from cheaper clothing to higher quality, in some cases, finishing high-fashion Italian knits for re-export, it has also been badly hurt by the combination of European recession and protectionism and this year's order books are thin.

Meanwhile the north, in the area of Urgerica, has uranium, a precious asset whose value has only recently been assessed. About 20,000 tonnes have been gauged accurately, workable at less than $80 a kg, while another 80,000 tonnes are inferred.

In recent times, Portugal has exported small quantities of uranium to Brazil and France, but its reserves now assume crucial importance because in principle, the decision will be made this year to go ahead with a domestic nuclear energy programme, which, at the outset could involve three reactors.

There are also substantial ore reserves in Moncorvo, whose development requires considerable investment in transport improvements.

The question of river transport has taken on new dimensions. The Douro, on which ancient barges once floated from the vineyards to Porto carrying barrels of port wine, is now heavily-harnessed for hydro-electric energy—its navigability has been drastically reduced.

Studies are therefore under way to find the means to make this important watercourse navigable again.

Traditionally, the north has been an area of narrow, winding roads threading through mountains, hills and valleys—but now the area will benefit from part of the government's $350m five-year highway plan. The aim will be to speed up transport of goods and create new industrial estates. To move more backward regions into the Twentieth Century.

Parts of the north justify the saying of some politicians that Portugal is not so much conservative as archaic. A detour off the principal roads in the centre-north or north-east means a trip into an almost-medieval world of spectacular beauty, ruled by family codes of honour that assume violent Sicilian proportions when an insult is avenged. The area is shrouded not only in the mists of time but by the bleak weather conditions that often prevail.

The area of Covilha in the Serra da Estrela, Portugal's highest mountain range, rich in wool and ewe's milk or cheese (the pungent Queijo da Serra that now costs a staggering £5 a kilo on site and almost £10 a kilo in Lisbon shops) has been earmarked for a diversified industrial estate to which the authorities hope to attract foreign investors interested in pioneering the area.

Pioneering is an appropriate term at this stage—the road from Lisbon to Covilha is long and winding. While it boasts *scenic glories*, it has been *known to daunt curious foreign* businessmen who arrive in the heights white-faced after six hours or more of hairpin bends.

However, in one respect, wine, the north is an example of how Portugal can put itself on the world map with a special product.

The port wine that since the 18th century has graced fine English tables and in its dry, white, version is a popular aperitif in France, West Germany and Belgium, has withstood changing lifestyles and markets. Today it even sells in quantity to the Soviet Union.

The largest

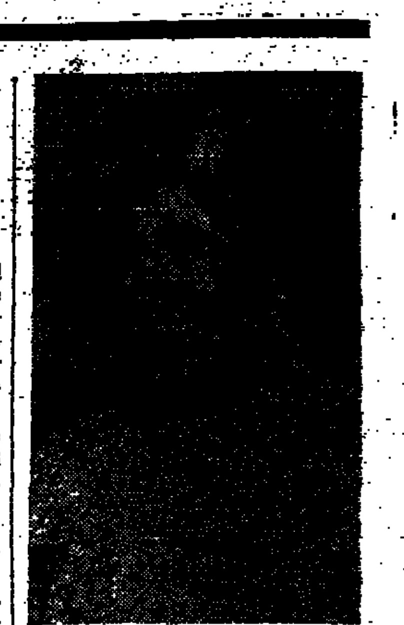
Shrewd perception of new drinking habits in the 1960s led by a northern *father and* son, Srs. Fernando Guedes Snr. and Jnr. to launch a new wine—Mateus Rose, bottling it in a container that makes a nice lamp base, with a print of a handsome palace on the label.

Connoisseurs may choose to wince at the contents but Sr. Guedes, whose peers once considered him dangerously eccentric for daring to mass market a Portuguese wine, is the world's largest exporter of a single brand. Annually 1.5m cases of Mateus are shipped to the U.S., where ladies and new, young drinkers, find it the perfect tipple. So do many Britons, they buy 500,000 cases a year.

Perhaps most remarkable of all, Sr. Guedes sells 150,000 cases a year of Mateus to Italy of all places. Not for the Italians, who stick to Chianti, Verdicchio or Valpolicella, but for Italy's foreign tourists, especially British, American and German, who insist on drinking Portuguese wine while surveying the Dolomites, the Duomo of Florence or the Doges' Palace in Venice.

The Portuguese rarely drink Mateus Rose and keep rather quiet about the fine reds and dry whites from the centre and north like the light white Planalto and smooth red Ermida, both from the Douro. Production is small and quality zealously cherished. Although these stand comparison with fine French or German wines it seems that many Portuguese would prefer to have them kept at home and not tested on European markets.

D. S.



Nicolau Breyner as Portuguese television viewers see him

Defending freedom is a funny business

"This week, children, I bring you that epitome of the merry carnival spirit," twitters the old lady to the television cameras and 2m viewers, and she brandishes a photograph of Alvaro Cunhal, Secretary General of the Portuguese Communist Party, whose scowl is more withering than merry.

The dear old lady—incarnation of every dotty piano teacher known to small children—then whips off an arpeggio on her antediluvian upright piano and breaks into a Russian medly with Portuguese words befitting the occasion: a leering send-up of Sr. Cunhal and his "carnivalesque" peers.

For the "old lady" of the wicked grin and forced soprano is none other than Nicolau Breyner, Portugal's favourite TV comic, having another go at a public figure.

Breyner's Saturday night "Eu Show Nico" has been around for some time.

Last year, under politically hypersensitive control of RPT, the State-owned national television network (which gleans some revenue from advertising), Breyner's iconoclastic and impertient style was shackled into witless slapstick and silly panel games.

But with the death in December of the late Premier, Francisco Sa Carneiro, whose most ardent aides and political appointees fiercely overprotected his and the Government's image, and the advent of a relaxed, open-minded premier, Francisco Pinto Balsemao (independent journalist by vocation), the clamps came off RTP. Breyner returned after a Christmas break with the twinkle back in his eye and acid recoating his tongue.

In drag

He inaugurated a new character—the loopy piano teacher, dressed like a fugitive from a genteel thrift shop. When she sat at tinny piano on the first night, the first response was "Oh. Breyner in drag. So what?"

But when she cuddled, a silver-framed photograph to her cheek, trilling: "My dear, dear friend and old school mate, the bee-yoo-tiful Francisco," viewers did several double takes.

The "dear, dear friend" was the Prime Minister, swiftly treated to a hilarious and mischievous serenade. When the audience stopped laughing it knew it had seen a *breakthrough*. Television was making fun of the Head of Government — just as the revistas (revues) in which Breyner got his theatrical grounding sent up past rulers, aiming witticisms well over the heads of censors in the audience and hitting the target of the Portuguese taste for zany political humour.

Between his January kick-off at the amiable Sr. Balsemao and carnival hommage to scowling Sr. Cunhal, Breyner covered a broad range of victims.

They included the Finance Minister, in an ear-splitting threnody to the cost of living; the ambitious Mayor of Lisbon and his "Keep Lisbon Beautiful" campaign, converting the *popular song It Smells Sweet—It Smells of Lisbon* into *It Stinks—It Smells of Lisbon*, the circumspect First Lady, D. Manuela Eanes—ruthlessly twitted as "Ola, Nela" to the tune of Hello, Dolly, and, in his greatest burst of daring, a sarcastic sally against the controversial president of RPT, Daniel Proenca de Carvalho—who kept the network compulsorily free of satire throughout 1980.

Viewers thought that after that outburst the naughty old piano teacher would vanish. She did not. Breyner is riding high, and Saturday nights are a great deal funnier thanks to a Government willing to practise what others only preached: full freedom of expression.

D. S.

Mark Webster, recently in N'djamena, reports that, despite Libyan intervention, Chad resembles a patient with terminal cancer

Chad's ghost-town capital stirs uneasily

A LIGHT, sandy dust is settling on N'djamena's devasted commercial centre. Two buzzards sit forlornly on the roof of a burned-out bank, deprived of their principal source of nourishment by the removal of dead bodies from the streets. In the deathly hush and the burning sunshine, Chad's capital looks like a setting for the film High Noon at 11.55.

But instead of a band of rogue cowboys riding into town, two Libyan soldiers race around the corner in a new Land-Rover and career off down the empty street. The few locals sifting through the debris of the shops and houses don't even look up as the dust from the passing vehicle settles again. They have got used to the Libyans.

Nearly 16 years of sporadic civil war has left the Central African republic of Chad in ruins. Especially during the past two years, the many factions in the country have fought a bitter power struggle which has reduced much of the capital, N'djamena, to rubble, left thousands dead and wounded, and the economy in tatters.

It took the arrival of thousands of heavily-armed Libyan troops last December to bring the fighting to an abrupt end. Libya tipped the balance of the war firmly in favour of President Goukouni Oueddei, of the transitional Government. His arch-rival and fellow northerner, Hissein Habre, fled the city for the desert wilderness of the Sudan.

But the Libyan presence has sent shock-waves throughout Africa. African states concluded that Libya did not want Chad for its resources because it was one of the poorest countries on earth. But it is strategically-placed geographically, and its refugees have already spilled over into Nigeria and Cameroon, creating fears that the conflict could spread.

What has unnerved many African states is that Libya's ultimate intentions remain unclear. Tripoli has abandoned talk of a merger between the two countries after the original announcement in January caused such fury in Africa. But governments as far apart as Senegal and Sudan fear that the unpredictable Col. Muammer Gaddafy will use Chad as a springboard from which to destabilise their own regimes. Some see the hand of the Soviet Union in Libya's activities while others conclude that the aim is to found an Islamic state throughout the Sahara region.

None of the countries in the region are strong enough to laugh off such a threat. Libya has given active support to minority Tuareg peoples in Niger and Mali. It has called for the establishment of a fundamentalist Islamic state in conservative Senegal. Even the most powerful country in the area, Nigeria, saw the possible hand of Tripoli in bloody riots last December in the northern city of Kano.

None the less, the Libyans have brought an unfamiliar calm to N'djamena. But no-one believes it will last. The transitional Government is deeply divided over a number of issues—principally the role of the Libyans — which could explode into renewed violence at any time. Outside the capital, where foreigners are not allowed to go, there is said to be fighting between factions of the Government. In the Sudan, Hissein Habre is sitting, licking his wounds, with an estimated 2,000 to 3,000 armed supporters.

But the Libyan presence has allowed N'djamena a moment to catch its breath and there are glimmers of life in the city. Cars and taxis are running on the streets during the day on petrol smuggled from Nigeria and sold in empty beer bottles at street corners. Frantic trading goes on across the Chari River from neighbouring Cameroon with hundreds of dug-out canoes ferrying everything from milk powder to Mobylettes.

As a result, N'djamena's local market is flooded with tinned fish from Nigeria and fresh vegetables from Cameroon at prices which few Chadians can afford. With no money to pay for the imports, Chad has exported the contents of its offices and houses. Mountains of office furniture are stacked up across the river in Cameroon and there is a lively trade in refrigerators, lighting fixtures and air conditioners.

What is left of N'djamena's pre-war population of 200,000 make their way across the river in the morning from Cameroon and go back at night for their food aid from the charities running the refugee camps. For once darkness falls, the night is punctuated by rifle fire and occasional bursts of automatic weapons. "It could be drunken soldiers. It could be someone settling an old score," said a Chadian with an apparent lack of interest.

Those who have stayed on in Chad are making big efforts to make it look like "business as usual." A policeman in a smartly dressed uniform stops a cyclist in central N'djamena for going the wrong way down a one-way street. At the Hotel Tchadienne, the dinner menu is mixed hors d'oeuvres, veal saute, cheese and fresh fruit, washed down with beer.

At the office of the Economy Ministry, the Minister apologises for the absence of a carpet. But in what used to be the Chamber of Commerce, the walls have been repainted and there are tables, chairs and a working air conditioner. Other ministries are not so well-off. Since every minister is appointed because he represents a certain faction he has to rely on his armed men to provide for him.

Because of the profound divisions among Cabinet members, most observers believe the peace in N'djamena is illusory. "It's like watching a terminal cancer patient pretending he is healthy," said a Western diplomat. "The only thing preventing a renewal of the fighting is that everyone is tired. Wait until they get their wind back."

Meanwhile, Chad's pleas for help in its economic reconstruction are falling on deaf ears. M. Michel Koinaye, the Economy Minister, says Chad urgently needs £64m (CFA 32bn) for restoring essential services to N'djamena. Three of the city's six water towers are in working order but they require electric pumps, and nearly all of the city's generators are not working.

The airport at which the Libyans are based is functioning for military purposes but much of the equipment is ruined. There is no communication with the outside world and the radio station at N'djamena has been put out of action.

Apart from Libya, which has promised six months' salaries for civil servants from this month, no aid has been guaranteed by other governments. Nor is it likely that in the present climate of political uncertainty any aid will be forthcoming. The same reaction is probable from the private sector which has lost millions of dollars through the wanton pillaging and restruction in N'djamena.

The Chadian Government still hopes that work on drilling for oil can be resumed. Plans were under way to exploit small finds near Lake Chad, M. Koinaye says, before the latest round of fighting. He is optimistic about the chance for future finds, but oil experts are sceptical about Chad's potential as an oil producer.

As for the traditional mainstays of the economy—cotton and cattle—both have suffered badly from the war. Cotton production last year was down to 80,000 tonnes from pre-war production levels of 175,000 tonnes. Cattle exports were estimated at half the pre-war figure of 100,000 head a year.

The Chadian Council of Ministers said in a communique last month: "We must reorganise the crumbling administration and put together a united army from the various factions . . ." To which the only daily publication, Info-Chad, replied: "The administration itself would do well to start by buying back its desks from the other side of the Chari River."

PRESIDENT OUEDDEI
A crumbling administration

'HE WHO HOLDS CHAD, HOLDS AFRICA'

CHAD'S strategic geographical position, as underlined by the accompanying map, gave birth to the French military maxim: "He who holds Chad, holds Africa." At the beginning of the Second World War, Free French forces under General Leclerc marched from Chad across the Sahara into North Africa.

Chad's internal problems are rooted deep in its history. The arbitrary division of the African Continent by the European colonial powers in the 19th century created a country with 2m Muslims in the North and 2m southerners who had nothing in common.

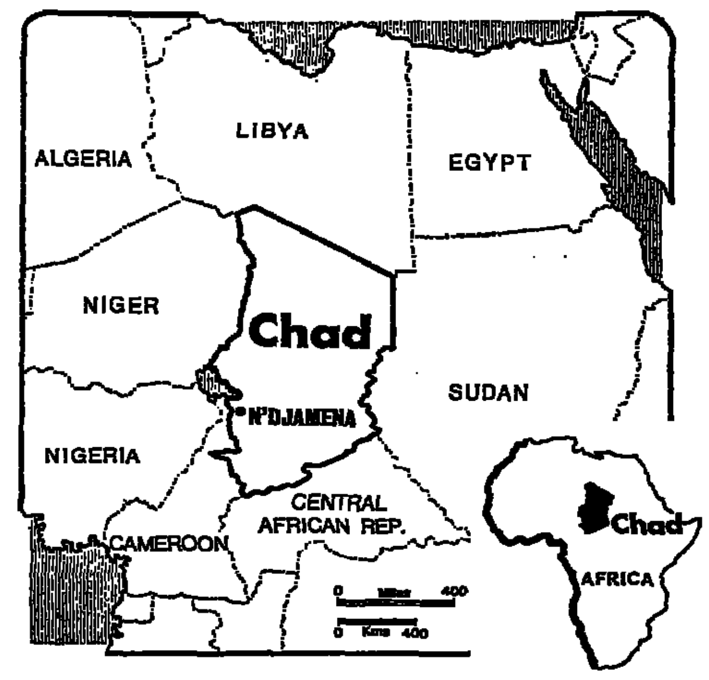
But it was not until 1894 that three French armies moved in formally to take control of Chad. Until independence 66 years later it was valued more for its strategic value than for its resources.

French colonial policy favoured the southern Christians who were largely in control of the civil service and the economy at the time of independence in 1960. The war-like northerners, who had traditionally plundered the south for slaves, resorted to a guerrilla war to dislodge the southerners.

As the guerrilla movement, Frolinat, grew stronger, it splintered into numerous factions under tribal leaders. The first president, southerner Francois Tombalbaye, was assassinated in 1975 and the North increased its grip on the country. In 1978, victorious northern forces drove the southerners out of the capital, N'djamena, and began fighting each other.

Since then, the power struggle, involving more than nine northern factions, has been complicated by the intervention of Libya, France, Nigeria, Sudan, Egypt and other African states. In August, 1979, all the factions signed a peace treaty which has never been implemented. In May, 1980, the French pulled out the last of their troops under pressure from African states.

The African nations are still divided about who should provide troops for a peace-keeping force to replace the Libyans.



Letters to the Editor

The demand effect

From the Deputy Director, National Institute of Economic and Social Research

Sir,—It so happened that, while reading your leading article on the Budget I had open on the desk a chart of the January, 1981, replies to the CBI Industrial Trends Survey. I read your sentence: "the so-called 'demand effect' is largely irrelevant, as the Chancellor argued." I then looked at the CBI chart, which showed that 95 per cent of the respondents cited orders or sales as a constraint on their output, of the other six possible constraints on output cited—such as plant capacity, skilled labour, and so on—not one got as much as a 5 per cent mention. From that I conclude that if demand were higher, output would also be higher.

Your next sentence read "If the performance of the economy were determined by the level of final demand, 1980 would have been a year of boom, not slump." I concluded that in your view there had been a huge leak of effective demand in 1980 to imports of goods and services. I then turned to the Budget Red Book, which showed the latest CSO estimates that total final demand fell 2 per cent in 1980, whereas imports of goods and services fell 3 per cent. I wonder in what sense you might be using the word "demand"?

F. T. Blackaby.
2, Dean Trench Street,
Smith Square, SW1.

When facts are assumed

From the Head, Legal Division, Shell International Petroleum Company.

Sir,—Justinian's commentary (March 9) on the Court of Appeal's dismissal of Lonrho's and CFMR's appeal in their case against Shell Petroleum and British Petroleum may have misled your readers, in that it failed to make clear that the case before the Court was based on assumed facts. As indicated by Lord Denning early in his judgment, the Court was considering a consultative case stated by arbitrators; and for this purpose the Court had to assume that all the allegations of fact by Lonrho and CFMR were true and could be proved. The purpose of the consultative case was to determine whether, if the allegations were true and could be proved, they would give rise in law to causes of action. The Courts have so far answered "No." The factual allegations made by Lonrho and CFMR were never considered by the Courts and there was no finding that any of them was true: the ones that really matter have been denied and continue to be in issue.

In a case where the allegations are as serious as they are in this one, it is a matter of some concern if a legal commentary inadvertently represents assumed facts as if they were conceded or proven facts. This could well have been avoided if Justinian, before quoting and speculating over the conundrum: "What was the predominant motive of Shell and BP in sanctions-busting?" had first made it clear that the "facts" which the Court considered were only allegations to be assumed for the purpose of analysis of the law.

J. F. K. Hinde
Company,
Shell Centre, SE1.

Index-linked stock

From Mr. P. Seddon

Sir,—Favourable reaction to the Budget announcement of a new index-linked Treasury stock has been concerned mainly with its implications for the Government's cost of borrowing, and the potential use of such stock in pension fund portfolios. There are, however, some other interesting spin-offs.

It will assist business management in estimating the real cost of debt, which will help in setting targets for investment appraisal and performance measurement. Until the introduction of this stock there has been no really satisfactory method of disentangling the market's expectation about inflation. It is to be hoped that stocks are quickly introduced with a variety of redemption dates, to enable the construction of a "real yield curve."

Real Rate of Return on Treasury 1996 2 per cent Index-Linked Stock

Price £	Implicit Real Redemption Yield %
88.07	3
100.00	2
113.86	1
130.00	0
148.81	−1
170.80	−2

This table is approximate and is produced solely for illustration; it assumes annual payment of a real coupon equivalent to £2 in the first year, and redemption in 1996 at a price equivalent in real terms to £100 in 1981.

The stock will allow at least a rough and ready guide to the market's expectation about future inflation. By subtracting the real redemption yield of the inflation-linked stock from the nominal redemption yield of fixed coupon and redemption stock with the same payment and redemption dates the market's expectation about inflation will be revealed. This indicator could become one of the most important barometers of the financial market's view of the likelihood of success of Government anti-inflation policy.

Paul Seddon.
Deloitte Haskins and Sells,
128, Queen Victoria Street, EC4.

No way to save it

From the Managing Director, E. and E. Kaye

Sir,—I have read with interest the articles of Sue Cameron in the "Financial Times" of Friday, March 13. On the same day, I had a "negotiation" with Eastern Gas concerning the renewal of our gas contract due on April 1 next and I was told that I would probably be the first major user to "benefit" from the 1981 Budget provisions.

For the "negotiation" I was armed with the recent findings of the NEDC energy task force demonstrating that UK Gas prices were very much higher than on the Continent, and a copy of the Chancellor's Budget speech which appeared to promise a price freeze until December 1. Imagine my surprise and indignation when I was told that the new price would instead show a very substantial increase over the present level. In practice the Budget concessions are minimal.

The company that I manage is part of a French group and I have knowledge of the price paid for gas by Continental users of a similar size engaged in the same activity. As a result, I know that the new price imposed by British Gas will be more than 50 per cent above that paid by our Continental competitors.

It seems to me that the Government, by its pricing policy, is deliberately discouraging the manufacture of energy intensive products in the UK, preferring to encourage imports instead, regardless of consequences on employment.

What a way to "Save it!"

P. L. Denis,
Queensway, Enfield,
Middlesex.

Canned food stocks

From Lucy Darwall-Smith

Sir,—In the article on the problems of Lockwoods (March 7) you refer to "stocks of seasonal fruit and vegetables already sufficient to meet demand for the full year. . . ." As far as the Canned Food Advisory Service is concerned, this statement is incorrect. We estimate stock levels of around five to six months for main running items, such as canned garden peas or green beans. We would also point out that current stock levels in the industry are at the lowest they have been for this time of year since the "glut" years of 1977 to 1978. We are, therefore, optimistic about the forthcoming season.

Lucy Darwall-Smith.
Canned Food Advisory Service,
Hulton House,
161-166 Fleet Street, EC4.

Heavy fuel oil tax

From the Deputy Director-General, Chemical Industries Association

Sir,—The case for elimination of the heavy fuel oil tax or at least its reduction from £8/t to the average in the rest of the EEC of £2/t, was one of the clearest messages of the recent NEDC "Task Force" report. Indeed, the Chancellor in his Budget speech "recognised the strength of the representations put to me" in this matter. In the event, he has proposed no change because a reduction in duty would "put up the cost of gas purchased by BGC."

The existence of a complication of this nature had been discussed by your chemicals correspondent (February 20), but with the suggestion that only $28m/a was involved; it is now clear that the sum is larger and arises in other ways than those posited. The nature of the deal remains "in commercial confidence," but clearly involves the special interests of a state monopoly.

It is extraordinary, and intolerable, that a change in UK taxation essential to the prosperity and survival of large sectors of manufacturing industry cannot, for the reasons so vaguely stated, be proposed or properly debated in Parliament. The Chancellor has promised to "keep the position under review." It is essential that this review takes place, with the necessary facts before Parliament, before the debates on the 1981 Finance Bill, so that amendments can be introduced and enacted which will help to bring UK industrial fuel prices more nearly into line with those of our EEC competitors.

(Dr.) P. G. Caudle,
Alembic House,
93 Albert Embankment, SE1.

Many years' mistakes

From Mr. M. Smith

Sir,—I have recently heard the Shadow Chancellor's reply to the Budget.

Whilst appreciating his position, his funereal presentation of what must be a serious economic situation appeared to lay all blame on the present Government and the present Government alone.

At no time during the 10 minutes of television time did he offer any proposals on how the lot of individuals and therefore the country could be improved.

Isn't it about time that politicians and people realise that everything has to be paid for and we are currently paying for the mistakes of many years, and politicians should be concentrating on how to solve the problem rather than try to make petty party points.

M. Smith.
10 Finkin Lane,
Aberford Road,
Stanley, Wakefield.

Encouraging business

From the Managing Director, Tax File

Sir,—The Chancellor has missed a great opportunity to give real tax encouragement to development of new small businesses by his usual overcautious approach.

The most likely investors in small business are the would-be proprietors themselves, their parents, grandparents or close relatives.

It appears the Chancellor will be barring all these from the Income Tax relief available for up to £10,000 a year invested by persons unconnected with the business. Such acts of faith in new businesses should be encouraged at the present time from anyone prepared to invest, especially "Aunt Agathas." So let's change the Finance Bill and really make the business start-up scheme work for both businessmen and the country.

The Chancellor will need to do more if he really wants to get new small businesses moving because the £50m allocated under the planned new Loan Guarantee Scheme is small fry indeed spread over the UK.

Dennis J. Fowle.
4, Valentine Place, SE1.

Today's Events

GENERAL

UK: President Shehu Shagari of Nigeria starts three-day state visit to UK; state banquet at Buckingham Palace.

Mr. James Prior, Employment Secretary, and Mr. Shimon Peres, Israeli Labour Opposition leader, speak at Anglo-Israel Association dinner, Savoy Hotel, WC2.

Mr. David Howell, Energy Secretary, speaks at Royal Society of Chemistry lunch, Russell Square; opens Stock Exchange exhibition "Oil."

The construction industry employers and unions meet to discuss formation of a national joint council.

Commission for Racial Equality publishes report on racial harassment on local authority housing estates.

Institution of Electrical Engineers international conference on telecommunications transmission opens, Savoy Place, WC2 (until March 20).

Royal Society of Medicine two-day conference opens on preventing disabling accidents, London.

Birmingham Chamber of Commerce two-day conference opens on exporting.

Overseas: Mr. Basil Blackwell, Society of British Aerospace Companies president, leads a sales delegation to Delhi, India.

President Julius Kambarge Nyerere of Tanzania starts six-day state visit to Japan, meets Mr. Zaiko Suzuki, Prime Minister, and other Government leaders, Tokyo.

EEC Foreign Ministers meeting concludes, Brussels.

Luxembourg Stock Exchange starts gold fixing.

PARLIAMENTARY BUSINESS

See Parliamentary News on Page 12.

COMPANY MEETINGS

Baring Brothers, 88 Leadenhall Street, EC, 12.30. Essex Water, Great Eastern Hotel, Bishopsgate, EC, 12. Leda Investment Trust, 44 Bloomsbury Square, WC, 11. SGB Group, Waldorf Hotel, Aldwych, WC, 11.30.

COMPANY RESULTS

Final dividends: Bronx Engineering Holdings. Fairclough Construction. IMI. Stag Furniture Holdings. Interim dividends: A.B. Electronic Products Group. Barratt Developments. Ductile Steels. London Scottish Finance Corporation. Waring and Gillow (Holdings). Interim figures: Nelson David.

UK COMPANY NEWS

Canning finishes ahead despite second half fall

ALTHOUGH SECOND-HALF 1980 profits at W. Canning were down, as expected, from £912,000 to £615,000, the pre-tax figure for the full year finished ahead at £1.63m against £1.44m. Turnover expanded by £7.13m to £62.24m.

Good performances were achieved by subsidiaries in the metal recovery, chemicals and electronic distribution sectors, but certain process plant and fabrication companies suffered losses amounting to £750,000 (£390,000), the directors state.

Action has been taken to correct this situation and to enable the group's traditional activities to be better structured for the current economic environment.

Mr. B. Tromans, chairman, says that prospects for UK manufacturing are still gloomy, with no sign of a significant upturn in demand from the depressed levels experienced in the last quarter of 1980. Order books on the process plant side are, however, adequate and "if the UK manufacturing economy should return to 1978 levels your company is well placed to achieve profits well in excess of the past."

Meanwhile the company continues its search for acquisitions, products and processes which will widen its base of operation, he adds.

Earnings per 25p share are shown as 10.11p (8.98p), after tax of £421,000 (£347,000), and the dividend is unchanged at 3.978p net with a same-again final payment of 2.254p.

Mr. Tromans explains that the board has increased the emphasis on exports and restructured the process plant side to enable them to operate with considerably more flexibility and a lower break-even level—the effect of these and other changes has reduced the workforce during the year by 425 to 1,400.

"The restructuring of operations and the redundancy exercise . . . have not resulted in loss of production capacity of the group and have made possible the release of certain properties," the chairman adds.

Proceeds from those sold amounted to £503,000, during 1980, and the directors hope that further properties, with a book value of £820,000, will be disposed of in the current year.

Taxable surplus was struck after depreciation of £716,000 (£762,000), some redundancy costs, £34,000 (£154,000), and interest charges of £876,000 compared with £928,000.

After tax, minority interests last time of £22,000, and extraordinary debits totalling £321,000 (£50,000), the attributable balance was behind at £883,000 against £1.02m—further redundancy costs of £830,000 (£133,000) before tax relief, have been included in the extraordinary item which is after the profit on sale of certain properties and investments.

On a CCA basis pre-tax profit is £922,000, the attributable amount is £140,000 and earnings per share are 4.21p.

Borrowings have been reduced from 56 per cent to 37 per cent of shareholders' funds, before allowing for a surplus of £897,000 on UK property values. Net assets per share are given as 97p (94p) at the year end.

● comment

Shares in W. Canning rose 5p to 58p, a new high for the year, on the back of a 13 per cent rise in pre-tax profits. But the underlying trend to lower profitability is clear. A sharp downturn in domestic demand from spring 1980 onwards has resulted in second-half earnings some 32 per cent lower than in the corresponding period in 1979. The decision to raise market share overseas at the cost of lower margins will adversely affect next year's earnings. However, the loss-making process plant and fabrication subsidiaries are expected to break even in 1981. The balance sheet has a healthier glow with capital gearing reduced from 56 per cent to 37 per cent and borrowings have been renegotiated on a medium-term unsecured basis. The shares yield 10.2 per cent and the p/e, fully-taxed, is about 8.5, which suggests the market has yet to digest fully the impact of the UK recession on Canning's growth prospects.

HIGHLIGHTS

Lex sets the scene for the merger now under discussion between the Royal Bank of Scotland (which takes in Williams and Glyn's) and Standard and Chartered Bank and goes on to analyse the Bulldog bond market in the light of yesterday's announcement of a £50m tender by the Kingdom of Sweden. Yesterday also saw the publication of another crop of official statistics and the column comments on the market influences of the Trade and Retail sales figures and the industrial production index for February. Elsewhere, Suter Electrical has unveiled terms of the rights issue by which it is to acquire the Prestcold Group from BL for £9m. And William Press, the civil engineering group has formally published details of a major change in its corporate structure.

Relyon slips but holds dividend

ON TURNOVER down from £13.04m to £11.81m, taxable profits of Relyon PBWS, bedding manufacturer, slipped back to £1.45m in 1980, compared with £1.85m a year before. At the midway stage, profits were down from £911,000 to £558,000.

The surplus, which was struck after charges including depreciation of £312,652 (£235,091), was subject to a much lower tax charge this time of £249,231 against £918,792.

Earnings are shown ahead from 11.33p to 14.7 per 25p share.

A final of 3p effectively maintains the net dividend at 4.8p, absorbing £393,430 (same).

In August the directors said that, with the extensive destocking by retailers at an end, the order position for the second half was much healthier than in the first half. They did not expect a return to the 1979 level of trading but viewed the longer term with confidence.

After current-cost adjustments, the pre-tax surplus is reduced to £1.16m.

Marginal rise by Seascope

WITH turnover ahead from £2.74m to £3.3m, taxable profits of Seascope Holdings improved by £9,000 to £588,000 in the six months to November 30, 1980. This was after interest of £84,000 against £81,000 and included interest and dividends received totalling £185,000, compared with £221,000.

Tax for the period absorbed £344,000 (£308,000), leaving the net balance £30,000 lower at £241,000.

For the last full year, profits of this "close" company with interests in insurance and reinsurance broking and shipbroking equipment leasing, amounted to £1.63m.

Suter to raise £7.7m to finance Prestcold purchase

SUTER ELECTRICAL which has net assets of about £1.4m, is raising £7.7m by way of a rights issue of ordinary shares and convertible loan stock to finance the purchase of Prestcold Holdings, the commercial refrigeration subsidiary of BL, for £9m.

Suter called a halt to dealing in its shares on January 15 and announced that negotiations were under way to buy Prestcold and that Mr. David Abell, former managing director of BL Commercial Vehicles, had been appointed chairman and chief executive.

The shares, which were suspended at 66p after rising 21p in the previous fortnight, are to resume trading along with the new shares and loan stock in the rights issue in nil paid form, on April 6.

The rights issue is made up of 2.06m units of 5 new ordinary 5p shares at 40p each and £2 in 9½ per cent convertible subordinated unsecured stock at par. The units are being offered at the rate of one for every four ordinary shares or every four deferred ordinary shares held.

The loan stock is convertible from 1984 to 1994 at £11 nominal of ordinary shares for every £100 nominal of stock, or 45.45p a share.

Suter is acquiring the Prestcold share capital for £1 and its £10m loan stock held by BL for £4.15m. A further £4.8m is to be paid to BLMC to repay other loans.

The net tangible assets of Prestcold at December 31, 1980, were £15.27m, including £4.05m in properties. The balance sheet does not take account of a professional valuation of Prestcold's principal properties on March 11, 1981, of £9.18m.

A pro-forma balance sheet of the Suter group as enlarged by the acquisition, but excluding the new property valuation, puts net tangible assets at £10.6m or 57.2p a share prior to conversion of the loan stock and £14.7m or 53.4p a share after full conversion.

Turnover rose from £45.4m in 1977 to £54m in 1980. Profit in 1977 before interest and the South African operation, which was a subsidiary until this year, was £2.4m in 1977, and £1.3m in 1978. Last year, the group had a £0.2m loss on this basis.

These figures exclude the losses in the Scottish manufacturing facilities and the Denco Prestcold Group which amounted to £1.35m between 1976 and 1980 and caused closure costs of £7.15m.

No profit forecast for the enlarged group is given. Trading conditions for the existing Suter Group are satisfactory, but the directors regard 1981 as likely to be a year of some difficulty for Prestcold, particularly in the early months.

An interim dividend of 1.25p has been declared for existing Suter shareholders and the board proposes to pay a second interim dividend on the enlarged capital in October, 1981 of 0.5p a share and a final dividend of 1p a share. Suter is changing its year end from May 31 to December 31.

The acquisition of Prestcold and the rights issue are subject to the approval of Suter shareholders at an EGM on April 1. Mr. Abell holds 17 per cent of the shares and the directors together hold 20.6 per cent.

Mr. Abell said he would not be taking up and holding all his rights, but expected his holding to drop to between 10 per cent and 13 per cent following the issue, depending on market prices.

The issue has been underwritten by Robert Fleming and Company. Brokers to the issue are Fielding, Newson-Smith. Robert Fleming bought more than 1m Suter shares last autumn for its clients at about 20p a share.

Expenses in connection with the acquisition and the issue were £0.5m.

● comment

All credit to Mr. David Abell for picking up Prestcold, which has been up for sale for three years, at an apparent bargain price just as BL has completed cleaning out the troublesome parts. Suter even inherits the four top Prestcold executives he installed when, as a former BL executive, he was last in charge of the company. Although the rights issue document provides only the slightest hints of the enlarged group's prospects, the stock market return next month is likely to be a pretty bullish affair strictly on Mr. Abell's reputation and the underlying asset value.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
W. Canning	2.25	July 1	2.25	3.98	3.98
James Fisher	1.15	May 19	*1	2.15	*1.75
Metalrax (Hldgs.)	1.58	May 22	*1.53	2.4	*2.27
Relyon PBWS	3	May 26	*3	4.8	*4.8
Trade Indemnity	4.14	—	3.6	6.34	*5.6
Victor Products ...int.	1.5	April 10	1.5	—	4.25
Waterford Glass	‡0.91	—	0.91	1.51	1.51
H. Woodward	1.7	April 24	1.7	2.2	2.2

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Irish pence throughout.

Woodward down but pays same

Pre-tax profits of H. Woodward and Son, commercial vehicle distributor, bodybuilder and car dealer, dropped from £430,849 to £305,571 for the year ended September 30, 1980, but the dividend is maintained at 2.2p net with an unchanged final payment of 1.7p. Turnover was up slightly at £11.98m, compared with £11.28m.

After a tax credit of £51,107 against a £160,915 charge, however, net profit came through ahead from £269,934 to £356,678 giving earnings of 13.65p (11.15p) per 12½p share.

At halfway taxable profits had risen from £184,344 to £196,342.

Second half downturn at Jas. Fisher

ALTHOUGH second half pre-tax profits fell from £1.04m to £888,422, James Fisher and Sons, shipowner, ship and insurance broker, reports an increase from £2.97m to a record £3.04m in the year overall to end December, 1980. Turnover rose from £12.83m to £14.52m.

After tax up from £124,021 to £180,693, stated earnings per 25p share are marginally ahead at 12.6p (12.46p). There were extraordinary credits of £27,807 compared with £350,808, leaving attributable profits lower at £2.9m (£3.2m).

The final dividend is effectively raised from 1p to 1.15p for a total of 2.15p, (adjusted 1.75p).

McMULLEN SCRIP

McMullen and Sons, the wine and spirit merchant and soft drink manufacturer, is proposing a scrip issue of one new 10½ per cent £1 cumulative preference share for every 8 ordinary shares held, and one new preference share for every eight preferred ordinary shares held.

The company reported a profit of £2m on turnover of £15.19m in the year ended September 27, 1980.

Kwahu suffers from drop in dividends

A reduction in dividends received has resulted in the Kwahu Company reporting pre-tax profits down from £53,924 to £41,605 for the half-year to December 31, 1980. Dividend receipts fell from £40,331 to £29,324.

The board says the outlook for the industrial sector of the economy will remain poor until an end of the current recession is in sight and an increase in demand begins to justify a higher level of output.

NAMES CHANGED

Common Market Trust has changed its name to Mercury Common Market Trust and became effective on March 16.

Another name change is reported by Transatlantic Market Trust and that has become Mercury Transatlantic Trust, also from March 16.

Second-half slide leaves Metalrax £0.7m lower

A SECOND-HALF decline from £1.38m to £784,000 has left 1980 taxable profits of Metalrax (Holdings), engineering group, at £1.86m compared with £2.53m.

The dividend is effectively raised from 2.27p to 2.4p with a final of 1.58p and the directors are following their practice of previous years in proposing a one-for-ten scrip issue.

The surplus—which is reduced to £1.24m (£1.85m) on a CCA basis—was subject to tax of £527,000 (£902,000) and there was an extraordinary debit this time of £35,000.

The retained surplus emerges at £811,000, down from £1.17m, and earnings per 5p share are shown as 6.53p (8.24p).

● comment

Although profits have fallen by 43 per cent in the second half to leave the 1980 pre-tax total down by 27 per cent, Metalrax retains a good liquidity cushion to withstand what must surely be another very difficult year. Net cash balances are approaching £500,000 and the dividend, yielding just over 8 per cent at 44p, can be regarded as fairly safe. The Wilkinson acquisition was in for a full 12 months last year and the net benefit was probably worth around £150,000. Its baking equipment businesses take Metalrax an important step nearer the end customer and further such acquisitions are under active search. For the moment, though, the yield and the fully taxed p/e of 9.5 suggest reasonably full value although the shares are likely to continue to reflect a very good track record in the recent past and the stubbornness with which the group is protecting its cash resources.

REA BROTHERS

Balance-sheet of Rea Brothers shows shareholders' funds at December 31, 1980, of £5.33m against £4.86m, current deposit and other accounts £103.47m (£90.88m), money at short notice £27.7m (£18.69m) and other loans to local authorities of £19.65m, compared with £6.63m.

Emoluments of Mr. Walter H. Salomon, the chairman of this merchant banking concern, were increased from £30,000 to £63,000.

As reported on March 6, group profit for 1980, after tax and transfer to inner reserves, was £750,000 (£601,000). Dividend is 2p (1.5p adjusted) and one-for-five scrip issue is proposed.

Meeting, Winchester House, EC, April 14, at noon.

Margins squeeze reduces Victor

DESPITE SIGNIFICANTLY improved turnover, Victor Products (Wallsend), mining and industrial equipment manufacturer, suffered reduced margins in the half year to October 31, 1980, and pre-tax profits fell to £510,900 against £703,600.

In the second half, problems faced by the National Coal Board have adversely affected the group and have prompted a cost reduction exercise, including some redundancies. Mr. L. R. Mann, the chairman, warns that the recent announcement of Government support for coal mining is unlikely to bring much benefit in the short term.

The interim dividend is maintained at 1.5p net—last year a total of 4.25p was paid from profits of £1.75m.

After six months' tax of £36,000 (£175,000) and dividends, there is a retained profit of £321,977 (£374,777).

● comment

As a manufacturer of mining equipment which normally sells about half of its output to the NCB, Victor Products is naturally suffering from the Coal Board's restricted purchasing power. In the six months to October, the mix of Victor's business was not greatly distorted by the NCB's cash limits, although it proved impossible for increases fully to recover cost. Exporting was barely profitable, but Victor kept up its overseas sales in pursuit of sufficient volume to recover overheads. Since the current half began, greater efficiency has been sought through a programme of voluntary redundancies which cut the workforce by 10 per cent, making it possible to restore full-time working even in the face of January's NCB moratorium. In the full year, reduced margins may lead to a pre-tax profit of little more than £1m, suggesting a fully-taxed p/e of over 30 on yesterday's price for the shares of 173p. That rating leans heavily on a growth record which is now in abeyance.

SPAIN

March 13	Price %	+ or −
Banco Bilbao	290	
Banco Central	332	
Banco Exterior	262	+4
Banco Hispano	275	
Banco Ind. Cat.	128	
Banco Madrid	141	
Banco Santander	325	+2
Banco Urquijo	179	−2
Banco Vizcaya	310	−2
Banco Zaragoza	234	
Dragados	150	−4
Espanola Zinc	75	
Fecsa	58.7	−0.3
Gal. Preciados	32	
Hidrola	64.7	−1.3
Iberduero	57	
Petroleos	95	
Petroliber	70	
Sogefisa	87	
Telefonica	62	
Union Elect.	64.2	

ACI will miss forecast

American Communications Industries (ACI), the Hollywood film maker and distributor, quoted in the Unlisted Securities Market, said yesterday it expected to break even for the year ended December 31, 1980.

This statement contrasts with the directors' profit forecast of about $2.28m (£1.14m) made in the November 1980 offer for sale by stockbrokers, Rowe Rudd.

At that time, net income after tax for the eight months to August 31, was stated at $1.642m.

ACI says that the profit forecast, included in the offer for sale, was "reasonable at the time it was made" but subsequent unforeseeable events resulted in the company failing to meet its profit target.

Commenting in the offer for sale document on the forecast, accountants Price Waterhouse in California said: "We believe that the underlying assumptions provide a reasonable basis for management's forecast. However, some assumptions inevitably will not materialise . . . therefore, the actual results achieved during the forecast period will vary from the forecast, and the variations may be material."

Rowe Rudd replies that "we consider the profit forecast (for which the directors are solely responsible) has been made after due and careful inquiry." Two-fifths of the ACI issue was left with underwriters.

ACI announced yesterday that Mr. Tony Rudd, senior partner of Rowe Rudd, had been appointed a director of ACI.

A shareholders' meeting in London is planned for the end of March or early April.

EUROPEAN OPTIONS EXCHANGE

Series		Mar. Vol.	Mar. Last	June Vol.	June Last	Sept. Vol.	Sept. Last	Stock
GM C	$60	—	—	4	¾	—	—	$50⅞
		April		July		Oct.		
ABN C	F.300	3	3.50	11	5.50	—	—	F.288
AKZO C	F.15	15	4.80B	14	5.10	—	—	F.19.90
AKZO C	F.17.50	575	2.50	137	3	5	4.20	"
AKZO C	F.20	786	1	317	1.90	85	2.50	"
AKZO C	F.22.50	30	0.30	64	0.80	—	—	"
AKZO P	F.17.50	10	0.10	3	0.50	—	—	"
AKZO P	F.20	20	0.80	—	—	17	1.80	"
AMRO C	F.60	13	0.50	—	—	—	—	F.55
KODA C	$80	3	4	3	7½	—	—	$81⅛
HEIN C	F.55	56	3.60	—	—	—	—	F.58.40
HEIN C	F.60	6	1	21	2	—	—	"
HEIN P	F.55	10	0.50A	—	—	—	—	"
HEIN P	F.60	—	—	2	5	—	—	"
HOOG C	F.12.50	10	5.50	—	—	—	—	F.18
HOOG C	F.15	11	3.30	—	—	—	—	"
HOOG C	F.17.50	18	1	—	—	—	—	"
HOOG C	F.20	—	—	—	—	48	1.40	"
IBM C	$65	2	1⅝	—	—	—	—	$63⅝
IBM C	$70	4	¼	—	—	—	—	"
IBM P	$65	2	3A	—	—	—	—	"
IBM P	$70	2	6⅞	—	—	—	—	"
KLM C	F.60	21	34	14	34.50A	3	34B	F.93.50
KLM C	F.65	5	28.50B	8	30	—	—	"
KLM C	F.70	87	23.50	19	24.50A	1	25B	"
KLM C	F.80	71	13.50	106	14.60A	52	16.50	"
KLM C	F.90	164	8	121	10	48	12	"
KLM P	F.70	5	0.50	9	1.50B	—	—	"
KLM P	F.80	28	1.20	40	2.90A	14	4.30	"
KLM P	F.90	155	4	22	6.10	—	—	"
NATN C	F.115	2	11.50	—	—	—	—	F.126.30
NATN P	F.120	3	0.30	—	—	—	—	"
NATN P	F.125	1	0.80	—	—	—	—	"
PETR C	Fr.5500	—	—	10	50	—	—	Fr.4720
PHIL C	F.15	—	—	5	3.30	—	—	F.18.20
PHIL C	F.17.50	130	1.10	1	2	—	—	"
PHIL C	F.20	—	—	77	0.70	66	1.30	"
PHIL P	F.17.50	110	0.40	15	0.70	—	—	"
PHIL P	F.20	—	—	—	—	5	2.80A	"
RD C	F.85	29	12A	—	—	—	—	F.96
RD C	F.90	85	8	—	—	—	—	"
RD C	F.95	125	4.50	4	6.50	—	—	"
RD C	F.100	503	2.30A	28	4.20B	31	6.50	"
RD C	F.110	125	0.30	109	1.80A	20	3.30	"
RD C	F.120	—	—	10	0.60B	—	—	"
RD P	F.90	187	0.60	—	—	—	—	"
RD P	F.95	352	2	137	4.80	—	—	"
RD P	F.100	190	5	102	8.50	—	—	"
RD P	F.110	42	14	8	14.70	—	—	"
UNIL C	F.120	4	12	—	—	4	14	F.132
UNIL C	F.130	3	3.80B	1	6B	—	—	"
NIL C	F.135	10	1.50	—	—	—	—	"
NIL P	F.130	61	1.80	3	6.30	—	—	"
		May		Aug.		Nov.		
BOEI C	$35	1	2	2	3½	—	—	$34⅞
BOEI C	$40	—	—	2	1⅝	—	—	"
MANN C	DM.130	—	—	4	6	—	—	DM128.50
OCCI C	$30	3	3	—	—	—	—	$31
SLUM C	$100	2	6	—	—	—	—	$100
SLUM C	$110	—	—	10	7	—	—	"
SLUM C	$120	1	1¼	—	—	—	—	"
SLY C	$100	1	6	—	—	—	—	"
VW C	DM.140	5	16.50	—	—	—	—	[illegible]

TOTAL VOLUME IN CONT[illegible]

A=Asked B=B[illegible]

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UK COMPANY NEWS

Waterford Glass profits fall 31%

RISING INTEREST charges and the effect of recession upon retailing operations caused Waterford Glass, the Irish maker of lead crystal glassware, to suffer a 31 per cent fall in pre-tax profits from IR£11.6m to IR£8.05m in the year to December 31. Turnover rose 13.7 per cent from £135.5m to £154.1m. Mr. Noel Griffin, managing director, described the results yesterday as "very disappointing."

"They were worse than we expected because the recession hit retailing," he said.

This is Waterford's first profits set-back in 28 years, and led Mr. Griffin to comment: "It's about time. The group needed a shock to get itself back into line."

According to Mr. Griffin the recession deepened in the second half with adverse effects on practically every member of the group. Margins were considerably reduced by a more than proportionate increase in fuel, energy and operating costs generally.

Mr. Griffin explained that while demand for Waterford Crystal products continued "unabated," the company was unable to supply customer requirements in many markets because of a first-half loss of productivity. The productivity problems, according to Mr. Griffin, arise from "absenteeism."

The Switzer retailing division also failed to live up to hopes and its profit was reduced to little more than break-even level. The Aynsley China business "outperformed" the market, according to Mr. Griffin, but this did not compensate for declines in other areas.

Interest charges increased 52 per cent from £2.2m to £3.36m. Tax was reduced from £2.14m to £1.63m and minorities accounted for £69,000 against £646,000. This large reduction in minorities was connected with the retail division.

Stated earnings per share were 2.99p (4.43p) and the net total dividend is unchanged at 1.511p, absorbing £2.9m.

The company says that in view of its overall strength and the possibility of an improvement in the present recessionary trend, it believed the dividend could be maintained at the 1979 level.

Winterbottom Energy plans 1-for-5 sub division

SHAREHOLDERS OF Winterbottom Energy Trust, formerly Winterbottom Trust, will be asked to approve a 5-for-1 share split at an extraordinary general meeting on April 7.

The effect of the split will mean shareholders will have five shares of 5p for every 25p share currently held.

A new investment policy, conversion to an all-energy trust, recommended by the directors earlier in the year, was approved by shareholders in February. At the next EGM they will also be asked to approve a new Memorandum and new Articles of Association.

The main purpose of this exercise is to give the company explicit powers to take interests in the oil and other energy industries through media other than companies, for example, in drilling and exploration ventures.

Mr. S. A. Field, the chairman, says it is not expected that investments in such ventures will ever form more than a small part of the total portfolio, but it is desirable that powers to participate should be available.

BIDS AND DEALS

THF plans cash injection if Savoy offer succeeds

Trusthouse Forte intends to put "quite a considerable amount of money" into the Savoy Hotel group if its £58m takeover bid succeeds, Sir Charles Forte, executive chairman of THF, said yesterday.

Speaking after the annual meeting, he also said he would be "very surprised" if the offer was referred to the Monopolies and Mergers Commission. Only the Grosvenor House and Hyde Park Hotel came into the same luxury category as the Savoy's premises among THF's hotels in Britain.

"The Government should welcome the improvement in profitability" if THF succeeded in acquiring the Savoy group, he added. "It needs intelligent management."

As for the jibe by the Savoy's management that a group which runs motorway service stations is not suitable to manage the Savoy, Sir Charles said: "They have very little defence; all they can do is be personal."

THF's offer was a very good one, he said, "and I don't think that's an insult." The Savoy directors have termed the THF offer "wholly unwelcome and totally unacceptable."

Sir Charles said THF had no intention of selling off any of the Savoy's hotels or catering operations. Apart from the Savoy itself, these include such hotels as Claridge's, the Connaught, and the Berkeley, as well as the Lancaster in Paris.

Asked what had prompted a bid by THF after the previous rejection of its approaches by the Savoy, he said: "I was rather alarmed when I heard that maybe parts of the assets were being disposed of as apartments, offices, or shops."

This was a reference to plans to sell off Savoy space next to its main hotel building. It was appalling, he said, "that a hotel like the Savoy should be mutilated in this way."

Sir Charles said he had "a pleasant lunch" with Sir Hugh Wontner, chairman of the Savoy, about four or five months ago. It was after this that a message came via a mutual friend that THF should "stop using pressure" on the Savoy.

SALE OF AIRFIX SUBSIDIARY

Tangent Industries, a privately-owned printer and related service company, has acquired certain assets and the business of the specialist Airfix subsidiary Benchmark Design from the official receivers for an undisclosed cash sum.

It is the first purchase of a former Airfix asset and was a profitable division of that company when it was put into receivership last January.

T & N SELLS DISTRIBUTOR

Turner and Newall subsidiary, Whalley and Haddow a distributor of wallcoverings, paints and decorating materials, has sold the assets of its Lancashire-based operation to PGW Holdings, a subsidiary of Berger, Jenson and Nicholson, for just over £400,000. It will retain its Glasgow business.

Marchwiel floats off McAlpine SA

Marchwiel, the civil engineering and contracting group, is to float off its South African coal-mining subsidiary Alfred McAlpine and Son (Pty.). Marchwiel plan to sell 30 per cent of the shares, keeping the remainder.

The ground for this issue was prepared by a reorganisation in which the contracting operations in Botswana and Swaziland were separated off from the South African open-cast mining enterprise. The contracting companies will now run under Marchwiel's Swiss flag.

The coal-mining concern, for which the holding company is Marchwiel SA, last year achieved a turnover of £8m and pre-tax profits of £1.5m.

Marchwiel felt that this operation was now large enough to merit its own quotation. It was also thought that the company would benefit commercially from the creation of a local South African shareholding.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals.

TODAY

Interims:—A.B. Electronic Products, Barratt Developments, Dunlie Steels, London Scottish Finance, Waring and Gillow.

Finals:—Bronx Engineering, Fairclough Construction, IMI, Stag Furniture.

FUTURE DATES

Interims:—

Mills and Allen International ... Mar. 20
Mucklow (A. and J.) ... Mar. 19
Stothert and Pitt ... Mar. 24

Finals:—

Britannia Arrow ... Mar. 19
Eagle Star ... Mar. 25
Firmin ... Mar. 27
Gibbs and Dandy ... Mar. 20
Home Counties Newspapers ... Mar. 27
Horizon Travel ... Mar. 23
Senior Engineering ... Apr. 8
Transatlantic Market Trust ... Mar. 19
Tricentrol ... Mar. 19
Waverley Cameron ... Mar. 18
Wolstenholme Rink ... Mar. 25

Granada has 59% of Whitley

Granada Group now has nearly 59 per cent of the ordinary shares in Whitley Bay Entertainments where its bid efforts have been complicated by the last-minute intervention of Mr. and Mrs. Claude Cooper, a Newcastle couple with leisure interests.

Granada's bid is now fully unconditional for both the ordinary and preference share offers. But the Coopers have 27 per cent of the shares, most of which they have picked up in the last four weeks or so.

The Granada bid remains open until March 27. The terms of 215p cash per share value Whitley Bay at £1.05m. The share alternative, worth considerably more, closed last Friday.

Avana-Robertson battle goes on

BY RAY MAUGHAN

THE TWO protagonists in the battle for control of Robertson Foods crossed swords yesterday in the last few days before the three-for-four all equity bid from Avana Group closes on Friday. Each side accused the other of misleading Robertson shareholders, or making statements which could be misleading.

Avana responded to the Robertson's gibe that its share price is speculative by pointing out that it "is simply a reflection of the profit performance of Avana, the stock market's appreciation of its achievements and the belief that Avana is capable of maintaining if not accelerating its rates of growth."

Robertson yesterday riposted by pointing out that Avana has not repeated its own profit forecast in its latest missive, "as required by the City Code."

Track records, profit forecasts and their interpretation provide most of the acrimony. Sir Julian Hodge, chairman of Avana, makes much of the statement by his opposite number, Mr. Christopher Robertson, that a compound growth rate of 20.7 per cent over a five year period is claimed for a "carefully selected part" of the "Golly" jam and preserves manufacturer.

As known, Robertson excluded its core jams and preserves manufacturing activities, and also takes out the effect of exceptional, extraordinary and interest charges to arrive at this compound growth figure.

Avana, predictably, attempts to make a great deal of capital from this representation and points out that when all charges have been included, Robertson's profits would have fallen from £2.44m to a forecast loss of £400,000 in the last five years.

Playing what is probably its strongest suit, the bidder claims that this record is "abysmal" by comparison with Avana which has produced compound growth of 32 per cent over the same period. "Robertson's performance simply does not compare."

Robertson finds that it "is a fair reflection of the misleading statement contained in the letter" (from Avana) that the document does not contain the "requisite responsibility statement by the Board."

The suggestion that Robertson has lost £400,000 in the year ending this month, after all items, is deemed misleading since it excludes the completed reorganisation of the James Robertson preserves activity.

Shares in Avana were unchanged yesterday at 205p while Robertson added 1p to 136p.

SAINT PIRAN

Gasco Investments has transferred its 3.45m ordinary share holding in Saint Piran to Gasco Investments (Netherlands), a wholly-owned subsidiary.

NORTH AMBERSHAM HOLDS 10.7% OF MILFORD DOCKS

Milford Docks Company said yesterday that North Ambersham Investments, in which Mr. Richard Eldridge is a director, has a stake of 83,100 shares (10.7 per cent).

This consolidated the holdings of a number of shareholders previously acting in concert with Mr. Eldridge, who accepted an invitation to join the Milford Docks board last year.

Milford Docks said Mr. Eldridge had told the company that North Ambershaw had agreed to acquire a further 8,500 shares (1.1 per cent) similarly held. It also owns one-third of Mercantoil Group, which holds 62,000 shares (7.9 per cent) of Milford Docks.

Mr. Eldridge, a financier formerly with the Slater Walker stable, has been interested in Milford Docks since the mid-1970s. Tomorrow, shareholders will be asked at an EGM in London to approve a Bill put before Parliament in November aimed at broadening the scope of Milford Docks' activities.

Wm. Press planning expansion

Mr. William Hawken, chairman of William Press, the mechanical engineering contractor, tells shareholders in a circular that a scheme to create a holding company will create a clear distinction between the group's management and financial control and its trading operations.

Beyond the present recession there are substantial prospects for a further increase in the grouj's current business, as well as scope for adding to its activities by acquisition, he says.

To take advantage of these prospects, he adds, and to deal more effectively with present activities, a pattern of group management and financial control is needed which is separate from the trading operations.

Directors of the new company—to be called William Press Group Public—will be Mr. William Hawken, chairman, Mr. R. A. Daniels, chief executive, Mr. J. R. Martin, Mr. A. J. Gravelius, Mr. D. D. de Carle, non-executive, and Mr. J. L. Kirby.

There may be further appointments, from within the existing group and of non-executive directors with appropriate experience," shareholders are told.

The new company will become a wholly-owned subsidiary of William Press Group. Its ordinary shareholders will be allotted one new ordinary share of 10p in William Press Group for every two ordinary shares of 5p each in the company.

It is also proposed that the small amounts of preference share capital and outstanding loan stocks should be acquired or cancelled for cash.

For each preference share 73p in cash is being offered. For each £100 nominal of 6¼ per cent loan stock and each £100 nominal of 8 per cent loan stock the cash offers are £86.50 and £83.50 respectively.

Of the directors, Mr. Hawken, Mr. Daniels, Mr. Martin, Mr. Gravelius and Mr. Kirby have service agreements with the existing company. The agreement fith Mr. Hawken expires on April 1, 1989, and that with Mr. Daniels on April 1, 1988, each providing for a salary of £88,000 per annum.

Mr. J. L. Kirby's agreement expires on March 7, 1987, and provides for an annual salary of £63,000.

The salaries incorporate increases effective from January 1, 1981, and each agreement provides for an annual cost of living review.

The aggregate of annual emoluments, excluding pension contributions, payable by the company to its directors in 1980 was £356,000. The aggregate of pension contributions in that year was £327,000.

There are no service agreements in force for any director of the new William Press Group holding company. But it is intended that each director with an existing service agreement will enter into one with William Press Group, "on substantially the same terms . . . except that in each case it will be for a period of five years commencing on the effective date."

MINING NEWS

Winchester South decision comes under attack again

BY GEORGE MILLING-STANLEY

THE CONTROVERSIAL decision by the Queensland Government to award the right to prospect over the rich steaming coal deposit at Winchester South to a consortium led by BP Australia has come under fire again, this time from the Federal Government.

Mr. Doug Anthony, Australia's Deputy Prime Minister, said that extra payments offered by the winning consortium could reduce the country's attractions for foreign investors, reports our Sydney correspondent.

Certainly, it looks as though the package has set precedents that all other would-be entrants to the development of the state's natural resources will have to follow.

Winchester South is in the centre of Utah Development's existing operations in the Bowen Basin, and contains an estimated 420m tonnes of coal, almost half of it recoverable by open-cut methods.

Prospecting rights have been granted to a consortium in which BP Australia is expected to take a 50 per cent stake, with the remainder shared equally between the property development group Westfield and Drayton Mining, a company controlled by Sir Leslie Thiess.

The eventual grant of mining rights to the same consortium is regarded as a formality.

It is widely believed that the consortium's offer of a payment of A$220m (£114m) in extra royalties to the Queensland Government, to be spread over the life of the mine, was the clinching factor in the award.

This payment is to commence at a rate of A$1 per tonne starting in 1986, rising to A$4 a tonne by 2005. The consortium plans to mine at a rate of 4m tonnes a year, beginning late in 1984.

This money would be paid direct to the state, in addition to royalties and charges for freight, port facilities and other necessary infrastructure.

Beyond that, the Government has levied a compulsory payment of A$750,000 to cover the cost of maintenance and upgrading of roads likely to be damaged by the heavy equipment which will be used for exploration work.

All this is on top of a A$250,000 reimbursement to the Department of Mines for the initial drilling programme.

But the most contentious aspect of the whole affair came to light late last week in a Government document outlining plans to link the tonnage levy to the inflation rate, suggesting the consumer price index as a suitable gauge.

The speed with which the tender from the BP-led consortium was approved in preference to proposals from more than 30 other contenders led to criticism of the way in which the matter had been handled, and to a flood of speculation as to the terms.

Many of the details of the terms have since become public, largely through recommendations to the state cabinet from Mr. Ivan Gibbs, Minister of Mines.

Seltrust still struggling

THANKS to changed accounting methods, strong investment income and Australian Government assistance Seltrust Holdings—78.8 per cent held by British Petroleum as a result of the latter's acquisition of Selection Trust—has made a profit of A$4.1m (£2.1m) in its first full year of operation.

In the previous four months to December 31, 1979, the profit was only A$1.1m. After several months delay the Australian mining h ouse is now able to pay the dividend of 87.5 cents due on the "Z" shares which are convertible into "A" Ordinary shares and which carry a fixed annual cumulative dividend of 17.5 cents.

Seltrust's latest profit, however, is still well below the A$14m estimated for 1980 in the prospectus of the previous year. And the directors state that without the new accounting procedures the latest profit would have been A$2.1m lower.

In line with the practice adopted by BP, Seltrust has switched from charging all exploration expenditure as it is incurred to only expensing abortive expenditure, the latter relating to areas abandoned or where value is not seen to accrue from expenditure on current areas.

Seltrust's main problem continues to be low production at the Agnew nickel mine in Western Australia arising from lower than expected mill ore grades and metallurgical problems. As a result the mine is operating at a loss. In addition the big Mount Newman iron ore operation has been hit by labour strikes and adverse weather conditions.

Rand London's coal setback

THE Rand London Coal subsidiary of South Africa's Rand London Corporation diversified minerals group is not now expected to achieve the forecast made a year ago of earnings of 41 cents (23.4p) per share in the current year to June 30.

It was stated at that time that if the coal subsidiary met its forecast this would represent an increase of 25 per cent in earnings of Rand London Corporation. However, the coal division has been hit by technical problems at the Kempslust mine and its earnings have amounted to only 14 cents per share in the six-month period.

Pre-tax income of the parent Rand London Corporation for the first half has risen to R4.24m (£2.42m) from R2.88m a year ago. But the subsequent deduction of tax and minority interests leaves the latest net attributable profit at R2.76m, or 20 cents per share, against R2.36m a year ago.

Rand London Corporation will declare its dividend for the current year in September. In London yesterday, shares of Rand London Corporation fell 10p to 245p while those of the coal subsidiary lost 7p to 105p.

Delta Group of the UK, formerly Delta Metal, has sold its 49.9 per cent stake in SA Marvin of Brazil to Anaconda Industries, a subsidiary of the U.S. oil major Atlantic Richfield. The two companies have been partners in the Brazilian copper and copper alloy fabricating concern since 1976.

Delta gave no financial details of the deal, but said that it was part of its long-term policy to move out of the semi-finished product area into higher added value products.

Gold boosts Dome Mines

THE HIGH AVERAGE price of gold during 1980 enabled Dome Mines, the leading company of Canada's biggest gold mining group, to increase net profits by 42 per cent to a record C$126.5m (£47m), or C$7.25 a share, reports John Soganich from Toronto.

The figures include Dome's share of the profits of the 57 per cent-owned Campbell Red Lake Mines and the 63 per cent-owned Sigma Mines (Quebec), which operate gold mines at Red Lake in north-west Ontario and Val d'Or in north-west Quebec respectively. Dome's own gold mine is at Timmins, in north-east Ontario.

Dome's consolidated bullion revenue rose by 53 per cent to C$237.5m. Revenue per ounce was C$722 in 1980, compared with C$373 in 1979. The higher price more than compensated for the fall in production to 329,086 ounces from 347,596 ounces the previous year.

Campbell Red Lake's net profits more than doubled in 1980 to C$57.5m, or C$3.60 a share, from C$27.3m or C$1.71 a share, while Sigma's net profit increased by 90 per cent to C$14.2m or C$3.54 a share.

Campbell's bullion production was 189,536 ounces, while Sigma produced 53,657 ounces. The Dome mine's output was 85,893 ounces.

Dome Petroleum also made a strong showing, with its contribution to group profits rising to C$62.8m from C$41.1m in 1979.

The group also announced that a major exploration drilling programme was in progress on what appears to be a significant gold occurrence in north-west Ontario.

Dome Exploration, with a 35 per cent interest, is operator for a consortium including the Inco subsidiary Canadian Nickel, with 23.95 per cent, the Imperial Oil subsidiary Esso Minerals Canada, with 23.95 per cent, and Lacana Mining, with 17.1 per cent.

The gold mineralisation occurs in banded iron ore formation, and current geological estimates indicate an orebody in excess of 1m tons grading around 6.2 grammes of gold per ton.

Four diamond drills are in use on the property near Opapimiskan Lake, 80 miles north of Pickle Lake. The discovery results from more than six years of continuous exploration on an area staked out by the prospectors Alan and Harold Musselwhite, who retain an interest.

The Dome Exploration interest is shared by Dome Mines, 40 per cent, Dome Petroleum 33 per cent, Campbell Red Lake Mines 21 per cent and Sigma Mines 6 per cent.

LONDON TRADED OPTIONS

(Mar. 16 Total contracts 505)

Option	Ex'rcise price	April Closing offer	April Vol.	July Closing offer	July Vol.	Oct. Closing offer	Oct. Vol.	Equity close
BP	360	33	1	—	—	—	—	388p
BP	390	13	8	34	1	48	—	"
BP	420	5	5	21	4	32	—	"
BP	460	2	—	12	1	—	—	"
BP	500	1	1	5	—	—	—	"
Com. Union	140	21	3	24	—	30	7	159p
Com. Union	160	6	2	10	2	14	—	"
Cons. Gold	420	43	12	70	2	90	—	450p
Cons. Gold	460	25	13	48	8	58	—	"
Cons. Gold	488	10	22	—	—	—	—	"
Cons. Gold	500	—	—	35	31	40	—	"
Cons. Gold	550	—	—	20	42	25	13	"
Cons. Gold	588	4	—	9	8	—	—	"
Cons. Gold	688	1½	—	2	1	—	—	"
Courtaulds	50	11½	4	12½	4	13	—	60p
Courtaulds	60	3½	—	6	1	7½	11	"
Courtaulds	70	1	—	2	—	4½	11	"
GEC	600	50	34	82	—	98	1	645p
GEC	650	17	—	50	1	68	—	"
Grand Met.	180	4	—	10½	8	16	1	171p
Grand Met.	200	1½	—	4	—	6½	7	"
ICI	220	22	2	33	25	40	—	232p
ICI	240	8	14	21	—	28	4	"
ICI	260	2½	—	12	8	22	—	"
ICI	280	1½	—	6	—	15	6	"
Land Sec.	390	19	2	29	—	42	—	394p
Marks & Sp.	120	2½	—	7	3	10	—	118p
Shell	390	14	1	28	—	40	—	394p
Shell	420	7	6	16	5	22	1	"
Shell	460	2	1	7	—	13	—	"
Shell	500	½	—	4	5	—	—	"
Totals			131		160		61	
		May		August		November		
Barclays B'k	420	5	4	18	—	25		380p
Imperial Gp.	60	11	4	13½	—	15	—	68p
Imperial Gp.	70	3	6	6½	—	7	—	"
Imperial Gp.	80	¾	14	2½	1	2½	1	"
Lasmo	600	35	2	62	—	90	—	592p
Lasmo	650	19	4	42	—	59	—	"
Lasmo	700	10	—	23	—	36	1	"
Lasmo	800	1½	—	7	10	—	—	"
Lonrho	100	4	4	7½	—	10	—	94p
Lonrho	110	2	4	4½	—	6½	24	"
P. & O.	110	22½	1	23	—	—	—	129p
Racal Elec.	360	20	2	35	3	48	—	354p
RTZ	454	40	17	—	—	—	—	463p
RTZ	460	—	—	50	1	63	—	"
RTZ	494	20	48	—	—	—	—	"
R.Z	500	—	—	50	3	—	—	"
Totals			109		18		26	

Trade Indemnity profit increase

PREMIUMS written at Trade Indemnity totalled £26.93m, against £21.8m, for 1980, and pre-tax profits increased from £4.71m to £5.23m for this company which writes credit insurance business both in the UK and overseas.

At half-way premiums written were 15 per cent up at £12.39m.

The dividend for the year is stepped up to 6.34p, compared with an adjusted 5.6p, with a final payment of 4.14p net per 25p share. After tax of £2.63m (£2.36m) earnings are shown as 36.19p (32.68p).

Pre-tax surplus included a £3.57m (£3.03m) profit on the 1978 (1977) underwriting account, franked investment income of £502,269 against £529,733, and interest and other income of £1.21m (£1.15m).

It was struck after a £48,087 (nil) allocation to the company's proposed employees share scheme.

An amount of £500,000 (£250,000) went to the underwriting contingency reserve—last time £1.5m went to general reserves.

£1.9m placing by Spanverne Investments

Spanverne Investments, an unquoted computing equipment manufacturing company, has raised £1.9m by way of a private placing of 1.2m ordinary shares, 25 per cent of those issued, at 165p a share.

Spanverne's pre-tax profit in the year ended on September 30, 1980, as £0.3m on turnover of £3.5m. The group makes minicomputers and computer consumables, such as magnetic tapes and printer supplies.

BASE LENDING RATES

A.B.N. Bank	12 %	■ Hambros Bank	12 %
Allied Irish Bk.	12 %	■ Hill, Samuel	§12 %
American Express Bk.	12 %	C. Hoare & Co.	†12 %
Amro Bank	12 %	Hongkong & Shanghai	12 %
Henry Ansbacher	12 %	Keyser Ullmann	12 %
AP Bank Ltd.	12 %	Knowsley & Co. Ltd.	14 %
■ Arbuthnot Latham	13 %	Langris Trust Ltd.	12 %
Associates Cap. Corp.	14 %	Lloyds Bank	12 %
Banco de Bilbao	12 %	Mallinhall Limited	12 %
BCCI	12 %	Edward Manson & Co.	13 %
Bank of Cyprus	12 %	Midland Bank	12 %
Bank of N.S.W.	12 %	■ Samuel Montagu	12 %
Banque Belge Ltd.	12 %	■ Morgan Grenfell	12 %
Banque du Rhone et de la Tamise S.A.	12½ %	National Westminster	12 %
Barclays Bank	12 %	Norwich General Trust	12 %
Beneficial Trust Ltd.	13 %	P. S. Refson & Co.	12 %
Bremar Holdings Ltd.	13 %	Rossminster	12 %
Brit. Bank of Mid. East	12 %	Ryl. Bk. Canada (Ldn.)	12 %
■ Brown Shipley	13 %	Slavenburg's Bank	12 %
Canada Perm't Trust	13 %	E. S. Schwab	13 %
Cayzer Ltd.	12 %	Standard Chartered	‖12 %
Cedar Holdings	14 %	Trade Dev. Bank	12 %
■ Charterhouse Japhet	12 %	Trustee Savings Bank	12 %
Choulartons	14 %	TCB Ltd.	12 %
C. E. Coates	12 %	United Bank of Kuwait	12 %
Consolidated Credits	14 %	Whiteaway Laidlaw	12½ %
Co-operative Bank	*12 %	Williams & Glyn's	12 %
Corinthian Secs.	12 %	Wintrust Secs. Ltd.	12 %
The Cyprus Popular Bk.	14 %	Yorkshire Bank	12 %
Duncan Lawrie	12 %		
Eagil Trust	12 %		
E. T. Trust Limited	14 %		
First Nat. Secs. Ltd.	16 %		
First Nat. Fin. Corp.	16½ %		
Robert Fraser	12 %		
Antony Gibbs	12 %		
Greyhound Guaranty	12 %		
Grindlays Bank	‡12 %		
■ Guinness Mahon	12 %		

■ Members of the Accepting Houses Committee.
* 7-day deposit 9%, 1-month 9¼%. Short term £8,000/12 months 13.35% (no change).
† 7-day deposits on sums of £10,000 and under 9%, up to £50,000 9¼%, and over £50,000 10¼%.
‡ Call deposits £1,000 and over 9%.
§ Demand deposits 9¼%.
‖ 21-day deposits over £1,000 10¼%.

BP PENSION FUND MANAGEMENT BY JOHN MAKINSON

World investment at a price

WHEN Sir Geoffrey Howe announced the abolition of exchange controls in October 1979, international fund managers heaved a collective sigh of relief. For years they had been hamstrung by the dollar premium and the necessity of arranging back-to-back loans to finance foreign investment.

When these procedures were swept away, the institutions took to foreign markets with a vengeance. In the first nine months of last year they invested £1.4bn in overseas equities and the pressure has not let up since.

Mr. Graham Titford, investment manager of the British Petroleum Pension Fund, looks back on the abolition of exchange controls as a bitter-sweet experience. It simplified the job of overseas investment but the slow disappearance of the dollar premium left the fund with tidy losses, which the subsequent rise of sterling has done nothing to alleviate.

Yet he remains convinced of the virtues of international investment and has been stepping up the proportion of the fund's cash flow which is committed to foreign markets. At the end of last year, foreign equity holdings totalled £84m in a fund with a market value of £900m.

The fund's net cash flow is around £90m per annum and up to a quarter of this is now being invested overseas. As a result, the weighting of foreign stocks in the overall portfolio has returned almost to the level it reached a couple of years before the abolition of exchange controls in October, 1979.

At present, BP holds no foreign fixed-interest securities. It owns a few convertible Eurobonds but classes these as equity. Mr. David Roberts, who manages the fund's U.S. investments, saw no reason last year to switch out of high-yielding gilts but foresees that the fund may be tempted by foreign bonds in future.

Investment in overseas property is currently receiving much more attention. The fund's property portfolio amounts to £300m, compared with £200m in fixed-interest UK stocks and £300m in UK equities, but its only foreign property is an "historic building in Germany," valued at around £25m. The fund is now thinking of building up a property portfolio in the U.S.

The main thrust of BP's overseas diversification remains with equities. Its investments are concentrated "overwhelmingly" in North America and Japan, and Mr. Titford is happy with this selective approach. He believes that the fund lacks the resources to invest successfully in a wide range of markets and, as a result, has pulled out of minor market-places such as Sweden and Italy.

"Five or six years ago, we thought we should be good Europeans and spread our portfolios through Europe. We found it just didn't justify the effort."

Even now, Mr. Titford is not entirely happy with the fund's investments outside North America and Japan. "I think it's fair to say that we haven't been very sophisticated in our Australian investments. We don't have the staff."

The fund's foreign portfolio reflects this emphasis on a couple of major markets. Of the £84m, about £58m is in the U.S. and £19m in Japan. Australia and Canada make up about £4m between them, Europe (basically West Germany) absorbs a mere £1m and Hong Kong accounts for only small change.

The fund treats the U.S., Canada and Australia as a single dollar-bloc zone but sees the U.S. as the only essential investment area. "You must hold America," Mr. Titford says, "it's a core market." In order to justify the additional effort or risk of investing in Canada or Australia, the fund needs to find an exceptional opportunity which is not available in the U.S. In practice, this means that it will buy energy and metal stocks there, rather than retailers or breweries.

The approach to stock selection is straightforward. In general, the fund picks a market on the basis of economic and currency prospects, isolates a sector and then buys its stock "starting with the large ones and working down." Mr. Titford prefers to operate on the large exchanges.

Not surprisingly, most of the detailed research material on overseas economies and stocks is imported from outside. The principal markets are visited on a regular basis.

At the same time, Mr. Titford's team includes an economist and 10 analysts who work overwhelmingly on UK markets. Conscious that following the herd is no way to make money, Mr. Titford emphasises that the fund makes up its own mind on strategy. As Mr. Roberts explains it: "We are not equipped to judge whether First Boston is a better bank than First Chicago, but we do take a view on whether we want to buy a bank and whether we want a regional bank or a money centre bank."

The fund is anxious to keep British Petroleum at arm's length. It is not permitted to buy BP stock and looks at any advice from BP as "just another input."

Mr. Titford is conscious of the pension fund's role as a long-term investor with an emphasis on providing income. As a result, it does not trade very actively and changes the emphasis of its overseas portfolio more through cash flow rather than through switching.

He accepts, however, that the foreign investments are more actively traded than the UK portfolio. This is partly a question of size. Although there are certain U.S. companies, like IBM, which the fund sees as core holdings, they are not as numerous as in the UK. This is partly because the foreign portfolio is smaller, and therefore more flexible, but also because in the U.S. there are fewer companies with an established dominance of their sector.

The fund's sizeable position on the London stock market makes it harder for the group to find a ready home for liquid funds. "In the U.S.," as Mr. Titford puts it, "we could sell out the whole portfolio and reinvest it on the same day."

Mr. Titford is unsure how much further the fund will travel on the road of international diversification. "There's a limit there somewhere," he says, "but I don't know where it is." The fund's trustees have imposed a ceiling of 30 per cent on funds invested overseas but, mindful of his sterling liabilities Mr. Titford does not expect to get anywhere near that level.

He sees the overseas portfolio as reducing the volatility of the fund but believes that its primary purpose is to provide a long-term income return above what is available in the UK. If the past is anything to go by, the BP pension fund will approach the task in a cautious and conservative way, avoiding speculative markets, options, futures and other high-risk areas. "We want to be a middle of the road, conventional fund," Mr. Titford says. "We tend to shy away from fashions."

Terry Kirk

BP investment fund managers Mr. Graham Titford and Mr. David Roberts: battling the strength of sterling on the international markets

Application has been made to the Council of The Stock Exchange in London for the £50,000,000 Loan Stock 1986 (the "Stock") to be admitted to the Official List for quotation in the Gilt-edged market.

The Stock will be available either in registered form, transferable in amounts and multiples of one penny, or, at the option of the holder, in bearer form, represented by Bearer Bonds which will be available in denominations of £1,000 and £10,000. Stock in registered form may be exchanged for Bearer Bonds and vice versa at any time after 27th May, 1981. Renounceable allotment letters (partly paid) in respect of the Stock will be despatched on 25th March, 1981. Certificates in respect of Stock in registered form and Bearer Bonds in respect of Stock in bearer form will be available on 27th May, 1981 provided the balance of the moneys payable has been duly paid.

The application list will open at 10.00 a.m. on Thursday, 19th March, 1981 and will close later the same day.

This Prospectus includes information given in compliance with the Regulations of the Council of The Stock Exchange in London for the purpose of giving information to the public with regard to the Kingdom of Sweden ("Sweden" or the "Kingdom") and the Stock. The Kingdom has taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein whether of fact or of opinion. The Kingdom accepts responsibility accordingly.

Dated 16th March, 1981

Kingdom of Sweden

ISSUE BY TENDER ON A YIELD BASIS OF

£50,000,000 Loan Stock 1986

Payable as to £50 per cent. on application and as to the balance not later than 22nd April, 1981

Interest payable half yearly on 15th March and 15th September

The Issue has been underwritten by

Morgan Grenfell & Co. Limited **S. G. Warburg & Co. Ltd.**

County Bank Limited **Hambros Bank Limited** **Hill Samuel & Co. Limited**

Kleinwort, Benson Limited **Samuel Montagu & Co. Limited**

Nomura Europe N.V. **Saudi International Bank**
AL-BANK AL-SAUDI AL-ALAMI LIMITED

Svenska Handelsbanken

Post-och Kreditbanken, PKbanken **Skandinaviska Enskilda Banken**

Office of Riksgäldskontoret
(Swedish National Debt Office)
Jakobsgatan 20
P.O. Box 16 306
S–103 26 Stockholm

Receiving Banker
National Westminster Bank Limited
New Issues Department
Drapers Gardens
12 Throgmorton Avenue
London EC2P 2BD

Registrar and Transfer Office
National Westminster Bank Limited
Registrar's Department
P.O. Box No. 82
37 Broad Street
Bristol BS99 7NH

Principal Paying and Exchange Agent
National Westminster Bank Limited
Stock Office Services
P.O. Box No. 297
Drapers Gardens
12 Throgmorton Avenue
London EC2P 2ES

Paying Agents
Morgan Guaranty Trust Company of New York
35 Avenue des Arts
B-1040 Brussels

Kredietbank SA Luxembourgeoise
43 Boulevard Royal
P.O. Box 1108
Luxembourg

Legal Advisers to the Underwriters
Slaughter and May
35 Basinghall Street
London EC2V 5DB

Advokatfirman Södermark
Birger Jarlsgatan 15
S-111 45 Stockholm

Legal Advisers to the Kingdom
Norton, Rose, Botterell & Roche
Kempson House
Camomile Street
London EC3A 7AN

Brokers
W. Greenwell & Co.
Bow Bells House
Bread Street
London EC4M 9EL
and
The Stock Exchange in London

Rowe & Pitman
1st floor City-Gate House
39–45 Finsbury Square
London EC2A 1JA
and
The Stock Exchange in London

UNDERWRITING ARRANGEMENTS

Under an Underwriting Agreement dated 16th March, 1981, Morgan Grenfell & Co. Limited, S. G. Warburg & Co. Ltd., County Bank Limited, Hambros Bank Limited, Hill Samuel & Co. Limited, Kleinwort, Benson Limited, Samuel Montagu & Co. Limited, Nomura Europe N.V., Saudi International Bank, Svenska Handelsbanken, Post-och Kreditbanken, PKbanken and Skandinaviska Enskilda Banken have agreed with the Kingdom to underwrite the issue of the Stock on the basis that if applications at Gross Redemption Yields at or lower than the Underwriting Yield are received for less than the total nominal amount of the Stock, the Stock will be issued at the Underwriting Yield and the amount of Stock for which applications are not so received will be allotted to the Underwriters.

For the purposes of this Prospectus (i) the Underwriting Yield shall mean the sum of 0·75 per cent. and the Gross Redemption Yield on 12 per cent. Treasury Stock 1986 calculated by reference to the price of such Treasury Stock on The Stock Exchange, London at 3.00 p.m. on Wednesday, 18th March, 1981, such price to be determined by Morgan Grenfell & Co. Limited and S. G. Warburg & Co. Ltd. to be the arithmetic mean of the bid and offered prices quoted on a dealing basis by three Jobbers in the Gilt-edged market, and (ii) Gross Redemption Yields will be expressed as percentages and will be calculated on the basis set out under "Calculation of Gross Redemption Yield" below.

It is intended that notice of the Underwriting Yield will be published in the *Financial Times* on Thursday, 19th March, 1981.

Morgan Grenfell & Co. Limited and S. G. Warburg & Co. Ltd., on behalf of the Underwriters, and the Kingdom have the right in certain circumstances to terminate the Underwriting Agreement, which is subject to certain conditions, and accordingly, if such rights are exercised or the Underwriting Agreement does not become unconditional, no application will be accepted.

DETERMINATION OF RATE OF INTEREST, ISSUE PRICE AND BASIS OF ALLOTMENT

If the issue is undersubscribed as a result of applications at or lower than the Underwriting Yield being received for less than the total nominal amount of the Stock, the Stock will be issued at the Underwriting Yield. Subject to the terms of this Prospectus, such applications will be accepted in full and the balance of the Stock not so applied for will be allotted to the Underwriters. Applications at Gross Redemption Yields higher than the Underwriting Yield will be rejected.

If the issue is oversubscribed as a result of applications at or lower than the Underwriting Yield being received for more than the total nominal amount of the Stock, the Stock will be issued at the Allotment Yield (as defined below). Subject to the terms of this Prospectus, applications at Gross Redemption Yields lower than the Allotment Yield will be accepted in full and applications at the Allotment Yield may be accepted in part only. Applications at Gross Redemption Yields higher than the Allotment Yield will be rejected. The Allotment Yield will be such Gross Redemption Yield as is equal to the lowest Gross Redemption Yield at which applications (including applications at yields lower than that yield) are received for the total nominal amount of the Stock.

The Stock will have attached such rate of interest and be issued at such price as will result in the Stock having a Gross Redemption Yield equal to the Underwriting Yield (if the issue is so undersubscribed) or the Allotment Yield (if the issue is so oversubscribed). The rate of interest will be an integral multiple of one quarter of one per cent. and will be as high as possible consistent with an issue price as near as possible to but not more than par. The issue price will be expressed as a percentage rounded down to four places of decimals.

All Stock for which applications are accepted will bear the same rate of interest and be allotted at the same price. It is expected that the rate of interest, the issue price and the basis of allotment will be published in the *Financial Times* on 20th March, 1981. Successful applicants will be notified by letter to be despatched not later than 20th March, 1981 of the amount of Stock in respect of which their applications have been accepted.

APPLICATION PROCEDURE

All applications must be made in the form of the Tender Form set out below and must be lodged with National Westminster Bank Limited, New Issues Department, Drapers Gardens, 12 Throgmorton Avenue, London EC2P 2BD, not later than 10.00 a.m. on Thursday, 19th March, 1981 and must comply with the provisions of "Terms of Payment" below.

Applications for Stock must be for a minimum of £100 nominal amount of Stock and thereafter for the following multiples of Stock:—

Amount of Stock applied for	*Multiple*
£100—£2,000	£100
£2,000—£10,000	£500
£10,000—£50,000	£1,000
£50,000 or greater	£25,000

Each application must be for one amount and must state the Gross Redemption Yield of the Stock for which application is made expressed as a percentage to two places of decimals. Applicants wishing to tender at the Underwriting Yield should tick Box A on the Tender Form (see "Underwriting Arrangements" above).

Morgan Grenfell & Co. Limited and S. G. Warburg & Co. Ltd. on behalf of the Kingdom reserve the right to reject any application and to accept any application in part only. If any application is not accepted the amount paid on application will be returned by post at the risk of the person submitting the application and if any application is accepted for a smaller amount of Stock than that applied for, the balance of the amount paid on application will be so returned, and in the meantime all such amounts will be held in a separate account.

Brokerage of $\frac{1}{8}$ per cent. of the nominal amount of Stock allotted will be paid by the Kingdom to recognised Banks or Stockbrokers (see "Terms of Payment" below) on allotments made in respect of Tender Forms bearing their stamp.

Acceptance of applications will be conditional upon the Council of The Stock Exchange admitting the Stock to the Official List on or before 25th March, 1981.

No applications will be accepted if the Underwriters or the Kingdom exercise their respective rights to terminate the Underwriting Agreement or if the Underwriting Agreement does not become unconditional (see "Underwriting Arrangements" above).

TERMS OF PAYMENT

Each application, unless made by a recognised Bank or Stockbroker taking advantage of the alternative method of payment, must be accompanied by a cheque made payable to National Westminster Bank Limited and crossed "Sweden Loan" representing payment at the rate of £50 per cent. of the nominal amount of the Stock applied for. Such cheques must be drawn on a branch in the United Kingdom, the Channel Islands or the Isle of Man of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques to be cleared through the facilities provided for the members of those Clearing Houses.

Morgan Grenfell & Co. Limited and S. G. Warburg & Co. Ltd. on behalf of the Kingdom reserve the right to instruct National Westminster Bank Limited to retain the relevant allotment letters and surplus application moneys (if any) pending clearance of applicants' cheques.

The alternative method of payment is available only to recognised Banks or Stockbrokers who irrevocably engage to pay National Westminster Bank Limited, New Issues Department, Drapers Gardens, 12 Throgmorton Avenue, London EC2P 2BD for credit to the account designated "Swedish Loan" by 10.00 a.m. on Wednesday, 25th March, 1981 the amount in Town Clearing Funds representing payment at the rate of £50 per cent. of the nominal amount of the Stock in respect of which their applications shall have been accepted.

The balance of the amount payable on the Stock allotted must be paid on or before 22nd April, 1981. Failure to pay such balance when due will render all amounts previously paid liable to forfeiture and the allotment liable to cancellation. Interest at the rate of 2 per cent. above the Base Rate of National Westminster Bank Limited may be charged on such balance if accepted after its due date. Such balance may be paid in advance of its due date but no discount will be allowed.

The expression "recognised Bank or Stockbroker" shall mean any organisation which is a Recognised Bank for the purposes of the Banking Act 1979 and any firm of Stockbrokers which is a member of The Stock Exchange of the United Kingdom and the Republic of Ireland and such other banks or brokers as Morgan Grenfell & Co. Limited and S. G. Warburg & Co. Ltd. on behalf of the Kingdom shall at their absolute discretion agree for the purposes of the issue.

The expression "Town Clearing Funds" shall mean a cheque or bankers payment for £10,000 or more drawn on a Town Clearing Branch of a bank in the City of London.

DELIVERY

Renounceable allotment letters (partly paid) in respect of Stock allotted will be despatched on 25th March, 1981 by first class post at the risk of the person submitting the application in accordance with the instructions stated on the Tender Form.

Allotment letters may be split in accordance with the instructions contained therein into denominations or multiples of £100. A letter cannot be split if the balance of the amount payable on the Stock is overdue.

Unless a duly renounced allotment letter with the registration application form duly completed is received by National Westminster Bank Limited, New Issues Department on or before 6th May, 1981, the Stock represented by such allotment letter will be registered in the name of the original allottee and thereafter Stock in registered form will be transferable only by instrument of transfer.

Allotment letters will provide for Stockholders to elect to take delivery of Stock in bearer rather than registered form. Stock in bearer form will be represented by Bearer Bonds which will be available in denominations of £1,000 and £10,000.

Each Stockholder who elects in the allotment letter to receive Bearer Bonds may elect to receive them in one of the three following ways:—

(a) By collection from the offices of National Westminster Bank Limited, Stock Office Services, Drapers Gardens, 12 Throgmorton Avenue, London EC2P 2ES.

(b) By post at the risk of the applicant. National Westminster Bank Limited will insure any package destined for an address in the United Kingdom provided a cheque is enclosed with the allotment letter made out for £0.50 per £1,000 nominal amount of Bearer Bonds to be sent (minimum payment £3). Insurance rates for other countries will be quoted on request.

(c) By delivery to an existing account with Euro-clear Clearance System Limited or CEDEL S.A.

Bearer Bonds are expected to be available for delivery on and after 27th May, 1981.

Stock Certificates, in respect of Stock in registered form, will be despatched to the registered holders (in the case of joint holdings to the first named) at their registered addresses by National Westminster Bank Limited, on 27th May, 1981. After 27th May, 1981 allotment letters will cease to be valid for any purpose.

CALCULATION OF GROSS REDEMPTION YIELD

Gross Redemption Yields will be calculated on the basis indicated by the Joint Index and Classification Committee of the Institute and Faculty of Actuaries as reported in the *Journal of the Institute of Actuaries* Vol. 105 Part 1, 1978, page 18 as follows:—

"Redemption yields are calculated taking accrued interest as part of the price and using a true compound interest formula i.e. finding the value of v to give $f(v)=0$ where

$$f(v)=v^{p}\left(C_1+C\frac{(1-v^{n})v}{(1-v)}+Rv^{n}\right)-P-\sum_{i} B_i v^{b_i}$$

and v is the discounting factor per period (e.g. half-year),
R is the redemption amount,
C is the coupon amount per period,
C_1 is the actual coupon due at the next payment date (which may be zero if the stock is already quoted 'ex dividend', or may be a first fractional payment),
n is the integral number of periods till redemption from the next payment date,
p is the fractional period till the next payment date,
P is the price actually payable (with 'accrued interest' not 'stripped out', but, for shorts, added in),
B_1, B_2 etc. are outstanding calls on a partly-paid stock,
b_1, b_2 etc. are the fractional periods till these calls are due.

When the root of $f(v)$ has been found the gross yield, y, convertible half-yearly, is obtained from
$y=200(1/v^{k/2}-1)$ per cent.
where k is the frequency of coupon payment per year.

Where the stock has a range of optional redemption dates the earliest or latest is used, whichever gives the lower redemption yield."

PARTICULARS OF THE STOCK

The issue of the £50,000,000 Loan Stock 1986 (the "Stock") of the Kingdom was authorised by a resolution of the Board of Directors of Riksgäldskontoret (the Swedish National Debt Office), representing the Kingdom, passed on 12th March, 1981 and will be constituted by a Deed Poll to be entered into by the Kingdom. The following is a summary of, and is subject to, the detailed provisions of the Deed Poll, copies of which will be available for inspection at the offices of the Registrar and the Paying Agents referred to below.

Status

The Stock will be a direct, unconditional and general obligation of the Kingdom and the full faith and credit of the Kingdom will be pledged for the due and punctual payment of the principal and interest in respect of the Stock and for the performance of all obligations of the Kingdom with respect thereto. Subject to "Negative Pledge" below, the Stock will rank *pari passu* with all other unsecured Indebtedness of the Kingdom from time to time outstanding. "Indebtedness" means all indebtedness of the Kingdom in respect of moneys borrowed by the Kingdom and guarantees given by the Kingdom for moneys borrowed by others.

Negative Pledge

The Kingdom will not create any mortgage, pledge or other charge upon the whole or any part of its present or future revenues or assets to secure any External Indebtedness without securing the outstanding Stock *pari passu* therewith and the instrument creating any such mortgage, pledge or other charge shall expressly provide therefor. "External Indebtedness" means Indebtedness which is expressed or denominated in a currency or currencies other than Swedish kronor ("kronor") or which is, at the option of the person entitled thereto, payable in a currency or currencies other than kronor.

Interest

The Stock will bear interest from 25th March, 1981 at a rate per annum to be determined in accordance with "Determination of Rate of Interest, Issue Price and Basis of Allotment" above. Interest will be payable (less, where applicable, United Kingdom income tax) by equal half-yearly instalments on 15th March and 15th September (the "Interest Payment Dates") in each year except that the first payment of interest in respect of the period from 25th March, 1981 (calculated on the amount for the time being paid up on the Stock and on the basis of the number of days elapsed and a 365 day year) will be made on 15th September, 1981. Interest will cease to accrue on the Stock on the due date for redemption thereof unless payment of principal is improperly withheld or refused.

Form

The Stock will be issued in registered form (hereinafter referred to as "Registered Stock"). Subject as hereinafter provided, Registered Stock may be exchanged in nominal amounts of £1,000 or integral multiples thereof for Stock in bearer form (hereinafter referred to as "Bearer Stock") and Bearer Stock may be exchanged for Registered Stock. Bearer Stock will be represented by bearer bonds which will be available in denominations of £1,000 and £10,000 each (the "Bearer Bonds") and on issue an interest coupon (a "Coupon") will be attached to each Bearer Bond in respect of each Interest Payment Date following the date of issue of such Bearer Bond, provided that, in the case of a Bearer Bond issued pursuant to an application received between the day following a Record Date (as hereinafter defined) and the immediately succeeding Interest Payment Date (inclusive), no Coupon will be attached in respect of that immediately succeeding Interest Payment Date.

Applications for such exchange may be made at any time on or before 6th May, 1981 or at any time on or after 27th May, 1981. Applications made on or before 6th May, 1981 must be made in accordance with the instructions contained in the allotment letter which will be despatched to persons to whom Stock is allotted (see "Delivery" above). On or after 27th May, 1981, applications for such exchange shall be made on the forms available at the specified offices of each of the Registrar, the Exchange Agent, the Principal Paying Agent and the Paying Agents referred to below and shall be made by the registered holders of Registered Stock or the holders of Bearer Bonds, as the case may be, lodging such forms duly completed at the specified office of the Exchange Agent. If any such application is lodged on or before 31st July, 1981, no charge will be made in respect of such exchange: after 31st July, 1981 such exchange will only be made on payment of such costs and expenses as may be incurred in connection therewith.

An application to exchange Registered Stock for Bearer Bonds shall have attached thereto the Stock Certificate(s) to which such application relates and an application to exchange Bearer Bond(s) for Registered Stock shall have attached thereto the Bearer Bond(s) to which such application relates together with all unmatured Coupons appertaining thereto. Failing presentation of all unmatured Coupons appertaining to any Bearer Bond, no exchange shall be made in respect thereof. In the case of an application received during the period commencing on the day following a Record Date and expiring on the day before the next Interest Payment Date, a Coupon falling due for payment on such Interest Payment Date shall, for the purposes of this paragraph, be deemed to have matured. If the Stock Certificate attached to an application for the exchange of Registered Stock for Bearer Bonds relates to a greater nominal amount of Stock than that in respect of which application for exchange is made or relates to a nominal amount of Stock which is not an integral multiple of £1,000, the balance of such Stock will remain in registered form and a Stock Certificate will be issued to the holder in respect thereof. All applications for the exchange of Registered Stock for Bearer Bonds and vice versa will be irrevocable. The exchange shall take effect on receipt by the Exchange Agent of a duly completed exchange form.

The initial Exchange Agent is National Westminster Bank Limited and its specified office is at Stock Office Services, Drapers Gardens, 12 Throgmorton Avenue, London EC2P 2ES or such other place or places in London as the Kingdom may from time to time agree and notify to Stockholders in accordance with "Notices" below. The Kingdom reserves the right to terminate the appointment of the Exchange Agent provided that no such termination shall take effect until a new Exchange Agent having a specified office in London has been appointed and notice of whose appointment has been given to Stockholders in accordance with "Notices" below.

Bearer Bonds issued in exchange for Registered Stock will be available for delivery at the specified office of the Exchange Agent and Stock Certificates in respect of Registered Stock issued in exchange for Bearer Bonds will be despatched, in each case within 3 days of receipt of the relevant application duly completed, in accordance with the instructions contained in the application.

Transfer

The Register and Transfer Office for the Registered Stock will be at the specified office of the Registrar. The initial Registrar is National Westminster Bank Limited, and its specified office is at Registrar's Department, P.O. Box 82, 37 Broad Street, Bristol BS99 7NH, or such other place or places in Great Britain as the Kingdom may from time to time agree and notify to Stockholders in accordance with "Notices" below. The Kingdom reserves the right to terminate the appointment of the Registrar provided that no such termination shall take effect until a new Registrar having a specified office in Great Britain has been appointed and notice of whose appointment has been given to Stockholders in accordance with "Notices" below. The Registered Stock will be transferable in amounts and multiples of one penny by an instrument in writing as if the Stock were a security to which Section 1 of the Stock Transfer Act 1963 of Great Britain applied.

The Bearer Bonds will be transferable by delivery.

Redemption

(a) Mandatory Redemption
The Kingdom will redeem the Stock (unless previously redeemed or purchased and cancelled) at par on 15th March, 1986.

(b) Purchases
The Kingdom may at any time purchase Stock in the open market at any price or by private agreement at a price (exclusive of accrued interest and expenses) not exceeding 115 per cent. of the middle market quotation of the Stock on The Stock Exchange in London (or, failing such quotation, on such other stock exchange on which the Stock is listed for the time being) at the close of business on the last business day before the date of purchase, but not otherwise.

(c) Cancellation
Stock so redeemed or purchased (with all unmatured Coupons attached thereto in the case of Bearer Bonds) shall be cancelled forthwith.

Payments

In the case of Registered Stock, payments of principal and interest will be made in pounds sterling by warrant, drawn on a Town Clearing Branch of a bank in the City of London, which will be sent at the Stockholder's risk by post to persons who are registered as Stockholders at the close of business on the relevant Record Date or to their nominated agents and made payable to such Stockholders. In the case of joint holders, the warrant (made payable to all such holders) will be sent to the first named unless instructions to the contrary are given in writing. The "Record Date" shall mean the thirtieth day before an Interest Payment Date but should such thirtieth day fall on a day on which the specified office of the Registrar is not open for business then the Record Date shall mean the first day thereafter on which the specified office of the Registrar is open for business.

In the case of Bearer Stock, payments of principal will only be made against surrender of the Bearer Bonds and, subject as mentioned below, payments of interest will only be made against surrender of Coupons, at the specified office of the Paying Agent in London in pounds sterling or, at the option of the bearer, at the specified office of any other Paying Agent, by a cheque in pounds sterling drawn on, or by transfer to an account maintained by the payee with, a bank in London, subject in each case to any laws or regulations applicable thereto.

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Bearer Bonds should be surrendered for redemption together with all unmatured Coupons; failing which the face value of any missing unmatured Coupon (or, in the case of partial payment in respect of any Bearer Bond being made, the proportion of such face value which the amount of the partial payment bears to the principal amount due in respect of the Bearer Bond) will be deducted from the principal sum due for payment. Any amounts of principal so deducted will be paid in the manner mentioned in the preceding paragraph against surrender of the relevant missing Coupons at any time before the expiry of a period of 10 years after the due date for such redemption, whether or not such Coupons would otherwise become void pursuant to "Prescription" below.

If the due date for payment of any amount of principal or interest in respect of any Bearer Bond or Coupon is not a business day, then the holder thereof shall not be entitled to payment of such amount until the next following business day and shall not be entitled to any further interest or other payment in respect of any such delay. In this paragraph "Payments", the expression "business day" means any day on which banks are open for business in the place where the specified office of the Paying Agent at which the Bearer Bond or Coupon is presented for payment is situated and (in the case of payment by transfer to an account maintained by the payee in London as referred to above) on which dealings in pounds sterling may be carried on both in London and in such place.

If the redemption date for any Bearer Bond is not an Interest Payment Date, interest accrued since (and including) the last preceding Interest Payment Date will be paid only to the holder of the relevant Bearer Bond.

The initial Paying Agents and their specified offices are listed above. The Kingdom will at all times maintain a Paying Agent in London and in one country in Europe other than the United Kingdom.

Taxation

All payments of principal and interest made by the Kingdom in respect of the Stock will be made without withholding or deduction for or on account of any present or future taxes, duties, fees, assessments or other charges of whatsoever nature, now or hereafter imposed or levied on the Stock or the holder thereof or of any Coupon by or on behalf of the Kingdom or any political sub-division or taxing authority thereof or therein. The foregoing shall not apply to any such withholding or deduction payable by or on behalf of a holder of Stock or a holder of a Coupon who is liable to such taxes, duties, fees, assessments or other charges in the Kingdom on such payment of principal or interest, as the case may be, by reason of any relationship with or activity within Sweden other than his ownership of such Stock or Coupon as the case may be.

Events of Default

If:—

(i) the Kingdom shall default in any payment of interest in respect of the Stock or any part of it and such default shall not have been cured by payment thereof within 30 days; or

(ii) the Kingdom shall default in the performance of any other covenant in respect of the Stock and such default shall continue for a period of 90 days after written notice thereof shall have been given to the Kingdom at the office of the Registrar by the holder of any Stock; or

(iii) an event of default as defined in any mortgage, indenture or instrument, under which there may be incurred, or by which there may be secured or evidenced, any indebtedness (as defined under "Status" above), whether such indebtedness now exists or shall hereafter be created, shall happen and (a) such event of default shall result in such indebtedness becoming due and payable prior to the date on which it would otherwise become due and payable, (b) payment thereof shall be validly demanded, and (c) such acceleration shall not be rescinded or annulled within 10 days after written notice thereof shall have been given to the Kingdom at the office of the Registrar by the holders of 25 per cent. or more of the principal amount of the Stock then outstanding,

then, at the option of and upon written demand to the Kingdom at the office of the Registrar by a holder of Stock, the Stock held by such person shall mature and become due and payable, together with accrued interest, upon the date that such written demand is received unless prior to such date the Kingdom shall have cured all such defaults.

Prescription

The Bearer Bonds will become void unless surrendered for payment within a period of 10 years and the Coupons will, except as mentioned in "Payments" above, become void unless surrendered for payment within a period of 5 years, in each case from the due date.

Replacement of Stock Certificates, Bearer Bonds and Coupons

If any Stock Certificate, Bearer Bond or Coupon is mutilated, defaced, destroyed, stolen or lost it may be replaced at the specified office of the Registrar upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Kingdom and the Registrar may require. Mutilated or defaced Stock Certificates, Bearer Bonds or Coupons must be surrendered before replacements will be issued.

Title to Bearer Bonds and Coupons

The Kingdom and any Paying Agent may treat the holder of any Bearer Bond or Coupon as the absolute owner thereof (whether or not such Bearer Bond or such Coupon shall be overdue and notwithstanding any notice of ownership or writing thereon) for the purposes of receiving payment and for all other purposes.

Notices

All notices shall be valid if despatched by post to the Stockholder at his registered address (in the case of joint holders to the address of the holder whose name stands first in the Register) and if published in one leading daily newspaper printed in the English language and with general circulation in London or, if this is not practicable, in a newspaper having general circulation in Europe. It is expected, however, that publication of such notices will normally be made in the Financial Times. Any such notice shall be deemed to have been given on the later of the day following the date of such despatch and the date of the first such publication.

Modification of Rights

The conditions of the Stock and the provisions of the Deed Poll and the rights of the Stockholders are subject to modification by Extraordinary Resolution of the Stockholders as provided in the Deed Poll.

Governing Law, Jurisdiction and Waiver of Immunity

The conditions of the Stock and the provisions of the Deed Poll will be governed by and construed in accordance with the laws of England except with respect to their authorisation and execution by and on behalf of the Kingdom and any other matters required to be governed by the laws of Sweden.

The Kingdom will irrevocably agree that any suit, action or proceeding ("proceedings") arising out of or in connection with the Stock may be brought in the English courts or in any competent court in Sweden and will submit to the jurisdiction of, and, to the extent that it is legally able to do so, will waive irrevocably any immunity to which it might otherwise be entitled in proceedings brought in, each such court. The Kingdom will appoint the Ambassador for the time being of the Kingdom of Sweden to the Court of St. James's as its authorised agent for the receipt of any writ, judgment or other process in connection with proceedings in England and will agree that any writ, judgment or other process shall be sufficiently and effectively served on it if delivered to the said Ambassador at his official address for the time being in England or any other manner permitted by law.

USE OF PROCEEDS

The net proceeds to be received by the Kingdom from the issue of the Stock will initially be added to the Kingdom's foreign exchange reserves with the Sveriges Riksbank (the Swedish Central Bank) and the kronor equivalent will be credited to Riksgäldskontoret (the Swedish National Debt Office).

STOCK EXCHANGE DEALING

The Stock in both registered and bearer forms will be dealt in on The Stock Exchange in London in the Gilt-edged market. The Stock will normally be traded for settlement and delivery on the working day after the date of the transaction. The price of the Stock will be quoted exclusive of accrued interest.

It is expected that dealings on The Stock Exchange will begin on Friday, 20th March, 1981 for deferred settlement on Thursday, 26th March, 1981.

UNITED KINGDOM TAXATION

In the case of interest payable in respect of Registered Stock, United Kingdom income tax will be deducted from each payment except that, under current Inland Revenue practice, payments will be made gross to persons whose registered addresses (and, if different, the addresses to which the payment is to be sent) are outside the United Kingdom. Persons who are not resident in the United Kingdom for tax purposes may apply by sending a claim form A3 to the Inspector of Foreign Dividends for exemption from United Kingdom income tax on grounds of non-residence.

In the case of interest payable in respect of Bearer Stock through a Paying Agent in the United Kingdom, United Kingdom income tax will be deducted from each payment in the absence of an affidavit to the effect that the beneficial owner of the Stock is not resident in the United Kingdom for tax purposes.

Stockholders who are liable to United Kingdom tax on capital gains should note that the provision in section 67 of the Capital Gains Tax Act 1979 which exempts from tax capital gains on Gilt-edged securities (as therein defined) held for more than 12 months will not apply to the Stock.

STATISTICS RELATING TO SWEDEN

The Kingdom of Sweden is the largest of the Scandinavian countries, with a population of over eight million people and an area of approximately 487,000 square kilometres. Sweden is a constitutional monarchy with a parliamentary system of government.

Sweden is a member of the United Nations, the European Free Trade Association and many other international organisations. Sweden entered into a free trade agreement with the European Economic Community, effective 1st January, 1973.

For a number of years Sweden's gross domestic product per capita has been one of the highest in the world. Sweden's gross domestic product in 1979 was about Skr 456 billion (£44,488 million) and has increased at an average annual rate (in constant prices) of 1·4 per cent. from 1975 through 1979, although Sweden's gross domestic product for 1977 decreased by 2·4 per cent. (in constant prices) as compared to 1976. Gross domestic product for 1979 increased by approximately 3·7 per cent. (in constant prices) as compared to 1978. In 1980 gross domestic product increased by a preliminary 2·2 per cent. (in constant prices) as compared to 1979.

In the post-war period, the relative importance of raw materials production and agriculture in the Swedish economy has declined, while that of the higher value added manufacturing and service sectors has increased substantially. Sweden has one of the highest per capita energy consumption rates in the world. Approximately 25 per cent. of Sweden's total energy needs are supplied from internal sources; the balance is imported, mainly in the form of crude oil and refined oil products.

The Swedish economy is significantly dependent on foreign trade, with imports and exports of goods each constituting approximately 25 per cent. of gross domestic product.

Since 1974 Sweden has had substantial deficits in its balance of payments on current account. The Swedish economy was adversely affected by increasing costs of imported oil and the continuing effects of the 1974–1975 international recession. In addition, substantial wage increases had an adverse effect on the market shares of Swedish industry both at home and abroad.

In order to bridge the 1974–1975 international recession, the Government pursued an expansionary economic policy of stimulating private consumption and production for inventories. The decline in Sweden's international competitiveness and the slower than normal recovery from the 1974–1975 recession resulted in a further deterioration in Sweden's balance on current account in 1976 and 1977.

During 1977 and 1978, a number of steps were taken in an effort to restore balance to the economy. These steps and wage agreements providing for moderate wage increases in the private and public sectors concluded in 1978 contributed to a deceleration in the rate of inflation and an improvement in Swedish industry's competitiveness. In addition, Sweden's balance of payments position improved in 1978. Sweden's trade balance showed a surplus of Skr 5·5 billion (£537 million) in 1978 as compared to a deficit of Skr 4·5 billion (£439 million) in 1977, while the balance of payments on current account showed only a minor deficit of Skr 42 million (£4 million) (excluding foreign aid loans converted into grants) in 1978 as compared to a deficit of Skr 9·5 billion (£927 million) in 1977. Sweden's gross domestic product increased by 1·4 per cent. (in constant prices) in 1978 as compared to a decline of 2·4 per cent. in 1977.

Due principally to the substantial increases in oil prices in 1979, the favourable trends in the rate of inflation and the balance of payments have been reversed. The consumer price index for December 1980 was 14·1 per cent. higher than for December 1979. In 1980 there was a preliminary Skr 10·7 billion (£1,044 million) deficit in Sweden's trade balance and an estimated Skr 20·5 billion (£2,000 million) deficit in its balance of payments on current account.

The Kingdom's budgetary expenditures have exceeded revenues in each of the last five fiscal years. The budget deficit for the fiscal year ended 30th June, 1980 was Skr 50·0 billion (£4,878 million), compared with a deficit of Skr 38·7 billion (£3,776 million) in the preceding fiscal year. The budget deficit for the fiscal year ending 30th June, 1981 is estimated to amount to Skr 53·9 billion (£5,259 million). The proposed budget for the fiscal year ending 30th June, 1982 contemplates a deficit of about Skr 68 billion (£6,634 million).

In its Economic Policy Statement published in April 1980, the Government pointed out a number of basic problems in the Swedish economy. These include the high rate of inflation, the large deficit on current account, the large deficit in the Central Government budget, the rapid expansion of the local government sector and Sweden's heavy dependence on imported oil. In addition, the Government stated that Sweden's industrial base is inadequate to sustain Sweden's current levels of imports and energy consumption.

The Government has taken a number of measures to meet these problems. The Government has stated its intention to reduce the Central Government budget deficit as a percentage of gross domestic product over the coming years and to pursue an economic policy that gives high priority to economic growth.

In its Economic Policy Statement published in October 1980, the Government gave priority to reducing the balance of payments deficit. In conjunction with such Statement, the Government proposed several specific economic policy measures to restrain the growth in Central Government budget expenditures, to limit the expansion of local government expenditures and to increase the attractiveness of investments in industrial capacity. On 3rd February, 1981 the Government announced a set of policy measures designed to reduce the Central Government budget deficit by Skr 3 billion (£293 million) in 1981/1982 and another Skr 2 billion (£195 million) in 1982/1983. At the same time, the Government announced its intention to reduce the maximum marginal income tax rate for income earners in normal tax brackets to 50 per cent. over a three-year period beginning in 1982.

On 20th January, 1981 the Riksbank raised the discount rate from 10 per cent. to 12 per cent. At the same time a number of other monetary policy measures were taken, including increased cash reserve requirements for banks and the imposition of a limit on bank lending.

The 1978 wage agreements covering the public and private sectors expired on 31st October, 1979. Wage agreements concluded in May 1980 covering employees in both sectors expired at the end of 1980. It is estimated that these settlements have resulted in average increases in wages (including wage drift) of about 10 per cent. in 1980 as compared to 9·7 per cent. in 1979. The negotiations were characterised by unusually sharp differences of opinion, leading both employers and employees to resort to strikes and lockouts involving approximately 750,000 persons during one week in May 1980. A wage agreement for some 900,000 blue collar workers in the private sector was concluded in February, 1981 for the period 1981–1982. As a result, total labour costs are expected to increase by 10·1 per cent. in 1981 and by 6·7 per cent. in 1982. The agreement includes a price clause which provides for partial compensation should consumer prices, excluding oil prices, from December 1980 to December 1981 and December 1982 rise by more than 8·9 per cent. and 6·5 per cent., respectively.

The total direct debt of the Kingdom at 31st December, 1980 was Skr 230·2 billion (£22,459 million), of which Skr 187·3 billion (£18,273 million) was internal funded and floating debt and the equivalent of Skr 43·0 billion (£4,195 million) was external funded debt. At 31st December, 1980, the Kingdom had guaranteed Skr 45·7 billion (£4,459 million) of internal debt and the equivalent of Skr 11·0 billion (£1,073 million) of external debt.

GENERAL

The Kingdom has agreed to pay to the Underwriters a commission of seven eighths of one per cent. of the nominal amount of the Stock for their services in managing and underwriting the issue. The Kingdom will also pay to recognised Banks or Stockbrokers (as defined under "Terms of Payment" above) brokerage of one quarter of one per cent. of the nominal amount of the Stock allotted in respect of applications bearing their stamp. The total expenses of the issue (including the above-mentioned commission and brokerage) are estimated to amount to about £695,000 and are payable by the Kingdom.

Application will be made to Euro-clear Clearance System Limited and CEDEL S.A. for the Bearer Bonds to be accepted for clearance.

Under present legislation both Stock in registered form and Bearer Bonds are transferable free from United Kingdom Stamp Duty.

The Stock is issued through Riksgäldskontoret, which is authorised to issue indebtedness on behalf of Sweden for a variety of statutory purposes, including the financing of capital expenditure in the public sector, the payment of current and other expenditure authorised by the Riksdag (Parliament) and the payment and refunding of the national debt.

The Stock is not an investment falling within the First Schedule to the Trustee Investments Act 1961.

Certain amounts herein are expressed in Swedish kronor ("Skr" or "kronor") and have been translated into pounds sterling using a rate of £1=Skr 10·25. At 11.00 a.m. on 13th March, 1981 the middle rate between the buying and selling spot delivery rates for kronor quoted on the Stockholm foreign exchange market was £1=Skr 10·2675. As used herein "billion" means one thousand million.

Documents for Inspection

Copies of the following documents will be available for inspection at the offices of Slaughter and May, 35 Basinghall Street, London EC2V 5DB during normal business hours until 31st March, 1981:—

(i) the Underwriting Agreement referred to above;

(ii) a draft, subject to modification, of the Deed Poll referred to above;

(iii) certified translations of extracts from the following Statutes pursuant to which the Stock is to be issued; the Constitution Act (Swedish Code of Statutes 1974 : 152); the Swedish National Debt Office Act (Swedish Code of Statutes 1974 : 568); and the Act providing regulations for the Swedish National Debt Office (Parliamentary Statute Book 1975 : 8) as amended, effective 1st July, 1979, by a decision of the Riksdag on 23rd May, 1979.

Additional Copies

Copies of the Prospectus and Tender Forms may be obtained from:—

National Westminster Bank Limited
New Issues Department, Drapers Gardens, 12 Throgmorton Avenue, London EC2P 2BD
208 Piccadilly, London W1A 2DG
80 George Street, Edinburgh EH2 3DZ
14 Blythswood Square, Glasgow G2 4AO

W. Greenwell & Co., Bow Bells House, Bread Street, London EC4M 9EL and The Stock Exchange in London

Rowe & Pitman, 39–45 Finsbury Square, London EC2A 1JA and The Stock Exchange in London

TENDER FORM

The application list will open at 10.00 a.m. on Thursday, 19th March, 1981 and will close later the same day. This form must be lodged with National Westminster Bank Limited, New Issues Department, Drapers Gardens, 12 Throgmorton Avenue, London EC2P 2BD.

KINGDOM OF SWEDEN

ISSUE BY TENDER ON A YIELD BASIS OF £50,000,000 LOAN STOCK 1986

Payable as follows: On application £50 per cent. On 22nd April, 1981 the balance.

To Morgan Grenfell & Co. Limited and S. G. Warburg & Co. Ltd. on behalf of the Kingdom of Sweden:
In accordance with the terms of the Prospectus dated 16th March, 1981, I/we apply as below. I/We undertake to accept the amount of Stock applied for or any less amount that may be allotted in respect of this application and to pay for the same in conformity with the terms of the said Prospectus.

Nominal amount of the Stock applied for	Amount enclosed at £50 per cent. of the nominal amount applied for	Gross Redemption Yield tendered to two places of decimals*	Box A**
£	£	. per cent.	

**Tick Box A if you wish to tender at the Underwriting Yield

*Any further figures will be ignored

Note: Applications must be for a minimum of £100 nominal amount of Stock and thereafter for the following multiples of Stock:

Amount of Stock applied for	Multiple	Amount of Stock applied for	Multiple
£100 – £2,000	£100	£10,000 – £50,000	£1,000
£2,000 – £10,000	£500	£50,000 or greater	£25,000

Please pin cheque here.

I/We enclose a cheque drawn on a branch in the United Kingdom, the Channel Islands or the Isle of Man of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques to be cleared through the facilities provided for the members of those Clearing Houses made payable to "National Westminster Bank Limited" and crossed "Sweden Loan" representing payment at the rate of £50 per cent. for the above mentioned nominal amount of Stock. I/We agree that this application shall be irrevocable. I/We understand that the completion and delivery of this Tender Form accompanied by my/our cheque constitutes a representation that the same will be honoured on first presentation. I/We hereby engage to pay the balance payable on the Stock by 22nd April, 1981 on any allotment made to me/us in respect of this application and I/we understand that failure to pay such balance by the due date will render the amount previously paid liable to forfeiture and the allotment liable to cancellation. I/We acknowledge that any Allotment Letter and (if appropriate) remittance for any application moneys returnable to be sent to me/us is liable to be held pending clearance of such cheque.

I/We hereby request that any Stock allotted to me/us:

(Delete Box B or C as appropriate)

Box B
Be evidenced by an allotment letter addressed to me/us and be sent by post at my/our risk to me/us at the first address shown below.

Box C
(For persons with a Euro-clear or CEDEL Account only)
Be evidenced by a global allotment letter addressed to Euro-clear Clearance System Limited and that our participation therein be credited to our existing securities account at:

EURO-CLEAR A/c No.
CEDEL A/c No.

Date ____________ 1981

Please use BLOCK LETTERS.

(1) Usual Signature ____________
Forenames in full: ____________
Surname: ____________
(also state designation: Mr., Mrs., Miss or title)
Full Postal Address: ____________

Joint Applicants (if any):
In the case of joint applicants all must sign, and in the case of a corporation this Form must be signed under hand by an authorised official who should state his capacity.

(2) Usual Signature ____________
Forenames ____________
Surname ____________
(also state designation: Mr., Mrs., Miss or title)
Address in full ____________

(3) Usual Signature ____________
Forenames ____________
Surname ____________
(also state designation: Mr., Mrs., Miss or title)
Address in full ____________

(4) Usual Signature ____________
Forenames ____________
Surname ____________
(also state designation: Mr., Mrs., Miss or title)
Address in full ____________

ALTERNATIVE METHOD OF PAYMENT
(This method of payment is available only to recognised Banks or Stockbrokers as described in the Prospectus.)
We hereby irrevocably engage to pay National Westminster Bank Limited, New Issues Department, Drapers Gardens, 12 Throgmorton Avenue, London EC2P 2BD for credit to the account designated "Sweden Loan" by 10.00 a.m. on Wednesday, 25th March, 1981 the amount in Town Clearing Funds representing payment at the rate of £50 per cent. for the Stock allotted to the person(s) named above in respect of this application.

Authorised Signature ____________

Name of bank or broker: ____________
Address: ____________
Date: ____________

Stamp of bank or broker claiming brokerage (if any)	A.L. Number	Stock Allotted

FOR OFFICE USE ONLY

1. Acceptance No.
2. Amount of Stock accepted
3. Amount received on application £
4. Amount payable on Stock accepted £
5. Amount returned £
6. Balance payable £
7. A/L No.
8. Cheque No.

APPOINTMENTS

Senior posts at Gold Fields

Mr. A. P. Hichens

Mr. Antony P. Hichens will join the Board of CONSOLIDATED GOLD FIELDS as managing director-finance on August 1. Mr. Hichens is currently deputy managing director and financial director of Redland. Mr. David O. Lloyd-Jacob, presently managing director-finance, will relinquish his UK executive duties to resume full-time responsibility for the development of Gold Fields' interests in North America. Mr. Peter D. Fells and Mr. George R. J. Guise have been appointed executive directors from April 1

★

Mr. Freddy Salinger has been appointed a director of ANGLO FACTORING SERVICES, a subsidiary of J. Rothschild and Co., following his retirement from Griffin Factors. He and the managing director, Mr. Ben R. Hosh, each hold 10 per cent of the ordinary capital of Anglo Factoring Services, which was formed recently as a major expansion of the financial services of J. Rothschild and Co.

★

Mr. Peter Whitby has been appointed research and development manager of COLAS PRODUCTS. He succeeds Mr. Charles Greenwood who has retired.

★

Mr. Robert L. Allmey has been appointed to the Board of JOHN F. RENSHAW & CO.

★

In July, Mr. Tom Skelly will join the top management team of the NICKERSON SEED COMPANY. He will report to Mr. John Denton, the chief executive.

★

Mr. W. A. D. Parsons has joined the Board of MIX-CONCRETE (HOLDINGS) as a non-executive director. Mr. Parsons is a director and general manager of GKN Contractors.

★

Mr. Richard Hill has been appointed chairman of HELICAL BAR while continuing as managing director. Mr. Laurence Kelly has been appointed deputy chairman. Sir James Spooner has retired from the chair, but remains on the Board.

★

Mr. Rupert T. V. Hunt has been appointed chairman of W. A. TYZACK AND CO. following the resignation of Mr. Donald S. Tyzack. Mr. Tyzack remains a director.

★

The Energy Secretary has reappointed two members of area electricity boards: Mr. George Rufford has been reappointed as a member and deputy chairman of the EASTERN ELECTRICITY BOARD for five years from February 26. Mr. Frederick Eyre has been reappointed as an executive member of the SOUTHERN ELECTRICITY BOARD for three years from March 4. Mr. Eyre will also continue in his present post as the Board's chief engineer.

★

Mr. D. G. Copley, managing director of THORN LIGHTING (FITTINGS) a manufacturing subsidiary of Thorn Lighting, retires at the end of March and relinquishes his position as a director of THORN LIGHTING. Mr. Laurie Jeavons succeeds him as managing director of Thorn Lighting (Fittings) on April 1. He will also join the Board of Thorn Lighting.

★

Mr. Stephen B. Beaumont has been appointed a director of GLENGATE PROPERTIES.

★

Mr. Chris J. Mallinson has been appointed director, sales and marketing-Europe at NORTON CHEMICAL PROCESS PRODUCTS (EUROPE). Norton Chemical Process Products (Europe) is based in Stoke-on-Trent, and is affiliated with Norton Company's chemical process products division in Akron, Ohio U.S.

★

Mr. (J. C.) Michael Orr will join the Board of GRAND METROPOLITAN from June and will be appointed group finance director. Mr. Orr will relinquish his appointment as a senior director of S. G. Warburg and Co. from that date. Mr. Clifford J. Smith, who has been group finance director since 1974, will be appointed assistant group managing director on the same date.

★

At the annual meeting Dr. M. J. Hayes was elected president and Mr. D. J. Gerhardt vice-president of the ASSOCIATION OF BUTTER AND CHEESE PACKERS.

★

Dr. T. M. Mosson has been appointed general manager, and Mr. Alan Peers assistant general manager (operations) in the personnel division of WILLIAMS AND GLYN'S BANK.

★

Mr. William Samengo-Turner, chairman and chief executive—ARMCO FINANCIAL SERVICES EUROPE, has been appointed country manager with responsibility for Armco's operations in the UK.

Mr. Bernard Towers, group secretary and director of Filtrate Ltd., has been appointed a director of FILTRATE HOLDINGS. Mr. Frank Melville retires from Filtrate Ltd. on April 1, but remains on the Board.

★

Mr. Robert Michaelson has been made a vice president and senior portfolio manager for MELLON PICTET INTERNATIONAL MANAGEMENT. Jointly owned by Pictet and Cie, Geneva, Switzerland, and Mellon Bank, Pittsburg, Pa., the London-based concern provides investment management services.

★

Sir Richard Wilbraham has been appointed a trustee of the GROSVENOR ESTATE.

★

Mr. Patrick Watkins succeeds Mr. Ron Jones, general manager, ICI Visqueen, as chairman of the PACKAGING AND INDUSTRIAL FILMS ASSOCIATION. He is manager of the Cellopp division of British Cellophane. Mr. Ivan Gooch has been elected vice-chairman.

★

Mr. Ron Ogle, finance director of Argos Distributors, has been appointed joint managing director of the stores division of INTERNATIONAL STORES. He will partner Mr. Alex Thomson, managing director, International Stores, and both will report to chief executive Mr. Mike Groves. Mr. Ogle joins the Board of International Stores on March 31. Both Argos and International Stores are member-companies within the B.A.T. Stores Group, the UK retailing arm of B.A.T. Industries.

OVERSEAS

AVIS, New York, has made the following appointments: Mr. Frank J. LoNano has been promoted to the position of group vice president, international, to succeed Mr. David J. Longridge who has resigned. Mr. Jose Sanz has been appointed senior vice president and general manager of the Avis Europe, Africa and Middle East division. Mr. Gerry Pollack has been promoted to vice president, operations, also for the car rental company's Europe, Africa and Middle East Division, located at the Avis Divisional HQ at Bracknell (England).

★

Mr. E. V. Gregg Rice has been named vice-president Europe, Africa and Middle East for GTE LIGHTING PRODUCTS, which has its headquarters in Geneva, Switzerland.

★

Mr. Charlie Maurer has been appointed manager of group support services for DRESSER INDUSTRIES, Houston-based Magcobar group. He will be responsible for safety and environment facilities, facilities planning and maintenance, group communications and purchasing and logistics.

★

Mr. Simon W. H. Lowings has been made director, feasibility studies at Fluor Mining and Metals (M&M), Inc., Redwood City, California.

★

Mr. Roger D. Schaufele has been appointed vice president-engineering at the Douglas Aircraft Company division of McDONNELL DOUGLAS CORPORATION, Longbeach, California. He succeeds Mr. Eugene F. Dubil, who was made Douglas vice president, product support in January.

★

Mr. Klaas van Exter, former chairman of the Volker Stevin Group, is to take over chairmanship of an enlarged management committee at Nassbaggerei Gruen Bilfinger GMBH, Hamburg, on April 1. Managers Mr. Jacob A. Wildschut of the foreign division, and Mr. Werner Ruge, of the commercial division, will retain their existing responsibilities. Also joining the management committee on April 1 will be Mr. Walter Weber, who will be taking over the division.

CURRENCIES, MONEY and GOLD

WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on March 16, 1981. In some cases rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied. Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling/dollar rates; (S) member of the sterling area other than Scheduled Territories; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (cn) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (k) Scheduled Territory; (nc) non-commercial rate; (nom) nominal; (o) official rate; (sg) selling rate.

PLACE AND LOCAL UNIT		VALUE OF £ STERLING
Afghanistan	Afghani	114.00
Albania	Lek	10.10
Algeria	Dinar	8.6695
Andorra	French Franc	11.045
	Spanish Peseta	190.65
Angola	Kwanza	(CM) 71.397
		(T) 73.896
Antigua (S)	E. Caribbean $	6.03
Argentina	Ar. Peso Free Rate	5,232.0
Australia (S)	Australian $	1.9195
Austria	Schilling	33.125
Azores	Portugu'se Escudo	126.10
Bahamas (S)	Ba. Dollar	2.2380
Bahrain (S)	Dinar	0.836
Balearic Isles	Spa. Peseta	190.65
Bangladesh (S)	Taka	36.90
Barbados (S)	Babados $ ††	4.4760
Belgium	B. Franc	(com) 76.65
		(fn) 78.95
Belize	B $	4.4760
Benin	C.F.A. Franc	552.25
Bermuda (S)	Bda $	2.2380
Bhutan	Indian Rupee	18.12
Bolivia	Bolivian Peso	55.90
Botswana (S)	Pula	1.7260
Brazil	Cruzeiro	163.95
Brit. Virgin Isles (S)	U.S. $	2.2380
Brunei (S)	Brunei $	4.70
Bulgaria	Lev	2.0318
Burma	Kyat	15.05
Burundi	Burundi Franc	198.76
Cameroon Republic	C.F.A. Franc	552.25
Canada	Canadian $	2.6645
Canary Islands	Spanish Peseta	190.65
Cape Verde Isle.	Cape V. Escudo	81.65
Cayman Islands (S)	Cay. Is. $	1.8650
Cent. Af. Repub.	C.F.A. Franc	552.25
Chad	C.F.A. Franc	552.25
Chile	C. Peso	(Bk) 87.36
China	Renminbi Yuan	3.6353
Colombia	C. Peso	(F) 135.65
Comoro Islands	C.F.A. Franc	552.25
Congo (Brazaville)	C.F.A. Franc	552.25
Costa Rica	Colon	n/a
Cuba	Cuban Peso	1.6350
Cyprus (S)	Cyprus £	0.8660
Czechoslovakia	Koruna	(com) 14.00
		(n/c) 24.38
		(T) 23.80
Denmark	Danish Krone	14.71
Djibouti	Fr.	380 (sg)
Dominica (S)	E. Caribbean $	6.05
Dominican Repub.	Dominican Peso	2.2380
Ecuador	Sucre	(O) 55.94
		(F) 66.97
Egypt	Egyptian £	(U) 1.57
Equatorial Guinea	Ekuele	381.3
Ethiopia	Ethiopian Birr	(P) 4.5550
Falkland Islands (S)	Falkland Is. £	1.0
Faroe Islands	Danish Krone	14.71
Fiji Islands	Fiji $	1.8295
Finland	Markka	9.0950
France	French Franc	11.0450
French C'ty in Af.	C.F.A. Franc	552.25
French Guiana	Local Franc	11.045
French Pacific Is.	C.F.P. Franc	190 (sg)
Gabon	C.F.A. Franc	552.25
Gambia (S)	Dalasi	4.0
Germany (East)	Ostmark	4.68
Germany (West)	Deutsche Mark	4.68
Ghana (S)	Cedi	6.09
Gibraltar (S)	Gibraltar £	1.0
Greece	Drachma	115.788
Greenland	Danish Kroner	14.71
Grenada (S)	E. Caribbean $	6.05
Guadaloupe	Local Franc	11.0450
Guam	U.S. $	2.2380
Guatemala	Quetzal	2.2380
Guinea Republic	Syli	44.90
Guinea Bissau	Peso	80.00
Guyana (S)	Guyanese $	5.70
Haiti	Gourd	11.19
Honduras Repub.	Lempira	4.50
Hong Kong (S)	H.K. $	11.82
Hungary	Forint	(com) 76.1488
		(T)(nc) 67.0887
Iceland (S)	I. Krona	14.479(f)
India (S)	Ind. Rupee	18.12
Indonesia	Rupiah	1,397.5
Iran	Rial	196.30(sg)
Iraq	Iraq Dinar	0.6650
Irish Republic (k)	Irish £	1.2815
Israel	Shekel	19.85
Italy	Lira	2,260.0
Ivory Coast	C.F.A. Franc	552.25
Jamaica (S)	Jamaica Dollar	3.9915
Japan	Yen	464.0
Jordan (S)	Jordan Dinar	0.707(sg)
Kampuchea	Riel	2,685.6
Kenya (S)	Kenya Shilling	18.37
Kiribati	Australian $	1.9195
Korea (Nth)	Won	2.09(n)
Korea (Sth)	Won	1,480.8
Kuwait	Kuwait Dinar	0.608
Laos	New Kip	22.38
Lebanon	Lebanese £	8.8530
Lesotho	Loti	1.7680
Liberia	Liberian $	2.2380
Libya	Libyan Dinar	0.6625
Liechtenstein	Swiss Franc	4.2575
Luxembourg	Lux Franc	76.65
Macao	Pataca	11.85
Madeira	Portug'se Escudo	126.10
Malagasy Republic	MG Franc	552.25
Malawi (S)	Kwacha	1.9050
Malaysia (S)	Ringgit	5.07
Maldive Islands (S)	Mal Rupee	8.7878
Mali Republic	Mali Franc	1,104.5
Malta (S)	Maltese £	0.835
Martinique	Local Franc	11.0450
Mauritania	Ouguiya	111.10
Mauritius (S)	M. Rupee	18.18
Mexico	Mexican Peso	52.77
Miquelon	C.F.A. Franc	552.25
Monaco	French Franc	11.0450
Mongolia	Tugrik	(o)6.98(ll)
Montserrat	E. Caribbean $	6.05
Morocco	Dirham	10.42(sg)
Mozambique	Metical	65.00
Nauru	Australian Dollar	1.9195
Nepal	Nepalese Rupee	26.85
Netherlands	Guilder	5.1650
Netherland Antilles	Antillian Guilder	4.0060
New Hebrides	See VANUATU	
New Zealand (S)	N. Z. Dollar	2.4200
Nicaragua	Cordoba	22.40
Niger Republic	C.F.A. Franc	552.25
Nigeria (S)	Naira	1.267479(sg)
Norway	Norway Krone	12.03
Oman Sul'ate of (S)	Rial Omani	0.767
Pakistan	Pakistan Rupee	21.92
Panama	Balboa	2.2380
Papua N.Guinea (S)	Kina	1.4700
Paraguay	Guarani	282.24
Peru	Sol	exc (A) 947.84
Philippines	Philippine Peso	16.66
Pitcairn Islands (S)	£ Sterling	1.0
	New Zealand $	2.4200
Poland	Zloty	(Cm) 72.41
		(T) 72.41
Portugal	Portug'se Escudo	126.10
Puerto Rico	U.S. $	2.2380
Qatar (S)	Qatar Ryal	8.05
Reunion Ile de la	French Franc	11.0450
Romania	Leu	(Cm) 10.51
		(n/c) 25.86
Rwanda	Rwanda Franc	202.53
St. Christopher (S)	E. Caribbean $	6.05
St. Helena	St. Helena £	1.0
St. Lucia	E. Caribbean $	6.05
St. Pierre	Local Franc	11.0450
St. Vincent (S)	E. Caribbean $	6.05
Salvador El	Colon	5.60
Samoa American	U.S. $	2.2380
San Marino	Italian Lira	2,260.0
Sao Tome & Principe	Dobra	82.30
Saudi Arabia	Ryal	7.45
Senegal	C.F.A. Franc	552.25
Seychelles	S. Rupee	14.85(sg)
Sierra Leone (S)	Leone	2.4475
Singapore (S)	Singapore $	4.70
Solomon Islands (S)	Solomon Is. $	1.6880
Somali Republic	Somali Shilling	(A) 13.45
South Africa (S)	Rand	1.7650
South West African Territories (S)	S. A. Rand	1.7650
Spain	Peseta	190.65
Spanish ports in North Africa	Peseta	190.65
Sri Lanka (S)	S. L. Rupee	39.52
Sudan Republic	Sudan £ (1)	1.12
Sudan Republic	Sudan £ (2)	1.79
Surinam	S. Guilder	4.0060
Swaziland (S)	Lilangeni	1.7650
Sweden	S. Krona	10.28
Switzerland	Swiss Franc	4.2375
Syria	Syria £	(A) 8.80
Taiwan	New Taiwan $	80.55
Tanzania (S)	Tan. Shilling	18.05
Thailand	Baht	45.49
Togo Republic	C.F.A. Franc	552.25
Tonga Islands (S)	Pa'anga	1.9195
Trinidad (S)	Trinidad & Tob. $	5.3712
Tunisia	Tunisian Dinar	0.951(sg)
Turkey	Turkish Lira	213.84
Turks & Caicos	U.S. $	2.2380
Tuvalu	Australian $	1.9195
Uganda (S)	Uganda Shilling	18.25
United States	U.S. Dollar	2.2380
Uruguay	Uruguay Peso	(cm) 22.11
		(f)(n) 23.08
Utd. Arab Emirates	U.A.E. Dirham	8.15
U.S.S.R.	Rouble	1.5700
Upper Volta	C.F.A. Franc	552.25
Vanuatu	Vatu	168(sg)
	Aust. Dollar	1.9195
Vatican	Italian Lira	2,260.0
Venezuela	Bolivar	9.61
Vietnam	Dong	(O) 4.8745
		(T) 5.15(11)
Virgin Islands U.S.	U.S. Dollar	2.2380
Western Samoa	S. Samoan Tala	2.1720
Yemen (Nth)	Ryal	10.04(sg)
Yemen (Sth)	S. Yemen Dinar	(A) 0.7635
Yugoslavia	New Y Dinar	70.7248
Zaire Republic	Zaire	6.8766
Zambia	Kwacha	1.8550
Zimbabwe	Zimbabwe $	1.4640

*That part of the French community in Africa formerly French West Africa or French Equatorial Africa. † Rupees per pound. § General rates of oil and iron exports 94.00. ** Rate is the transfer market (controlled). †† Rate is now based on 2 Barbados $ to the dollar. ‡‡ Now one official rate. (U) Unified rate. Applicable on all transactions except countries having a bilateral agreement with Egypt and who are not members of IMF. (‡) Based on gross rates against Russian rouble. (1) Official rates for government transactions and specified exports and imports. (2) Parallel rate for non-government transactions and non-specified exports and imports. § One new Krona = 100 old Kronur.

Dollar weak

Dollar lost ground in currency markets yesterday, reflecting a lower trend in Euro-dollar rates. Interest rates have fallen recently and although Friday's money supply figures showed a rise, they were still within the Federal Reserve Bank's target range. Consequently, U.S. interest rates maintained their recent bearish feel.

Sterling was mostly firmer, benefiting from the dollar's weaker trend. Dealers noted a further surplus in the UK February trade figures of £314m, although this was lower than January's revised figure of £742m.

European currencies improved against the dollar. Within the European Monetary System, the Deutsche Mark remained the firmest currency, followed by the French franc and Dutch guilder. The lira was again the wakest member of the system.

DOLLAR — trade weighted index (Bank of England) fell to 99.3 from 99.8. The dollar finished lower yesterday, closing at DM 2.0905 against the Deutsche Mark compared with DM 2.1099 on Friday, and SwFr 1.9015 from SwFr 1.9275 in terms of the Swiss franc. The Japanese yen improved slightly, and the dollar was quoted at Y207.25 against Y207.75 previously. Eurodollar rates fell, with three-month deposits quoted at 14½-14¾ per cent compared with 15$\frac{1}{16}$-15$\frac{3}{16}$ per cent, and six-month at 14¾-15 per cent, against 15$\frac{1}{16}$-15$\frac{3}{16}$ per cent.

STERLING—trade weighted index (Bank of England) rose to 99.5 from 99.1, having stood at 99.0 in the morning and 99.4 at noon. The pound was firmer overall yesterday. Against the dollar it opened at \$2.2150-2.2160 and rose to \$2.2325 at noon. It touched a best level of 2.2440 during the afternoon, and closed at \$2.2375-2.2385, a rise of 1.95c.

Sterling was unchanged against the Deutsche Mark at DM 4.68, and rose against the French franc to FFr 11.0450 from FFr 11.0350.

D-MARK—A sharp rise in German interest rates coupled with the introduction of a special Lombard facility has led to a recovery by the D-mark, and it is now the strongest currency within the European Monetary System. Previously, high foreign interest rates and Germany's continuing large balance of payments deficit had put pressure on the mark against the dollar and within the EMS. Tension over the situation in Poland remains a market factor—The D-mark was slightly weaker at yesterday's fixing in Frankfurt, with sterling fixed higher at DM 4.6890 compared with DM 4.6820, and the French franc higher at DM 42.405 per FFr 100 against DM 42.40. The Belgian franc rose to DM 6.101 per BFr 100 from DM 6.1, and the Danish krone to DM 31.82 from DM 31.79 per D Kr 100. On the other hand the U.S. dollar fell to DM 2.1010 from DM 2.1128, reflecting Bundesbank mopping operations in the domestic money market by way of dollar swaps. The U.S. unit was also depressed by a lower trend in U.S. interest rates.

ITALIAN LIRA — Weakest member of the EMS, and touching record lows last month against sterling and the dollar. Although somewhat steadier against the U.S. unit recent dollar strength has increased concern over Italy's very large balance of payments deficit—The lira was firmer against the dollar at yesterday's fixing in Milan, but lost ground against all its EMS partners, and sterling. The dollar was fixed lower at L1,019.8 compared with L1,024.8 on Friday, in reaction to a lower trend in Euro-dollar rates.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU March 16	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	39.7897	41.6634	+4.71	+1.73	±1.53
Danish Krone	7.72336	7.98859	+3.43	+0.45	±1.64
German D-Mark	2.48208	2.54215	+2.42	−0.56	±1.125
French Franc	5.84700	5.99432	+2.52	−0.46	±1.3557
Dutch Guilder	2.74362	2.81512	+2.61	−0.37	±1.512
Irish Punt	0.668201	0.696914	+4.30	+1.32	±1.668
Italian Lira	1157.79	1235.51	−6.71	+3.74	±4.08

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

THE POUND SPOT AND FORWARD

March 16	Day's spread	Close	One month	p.a.	Three months	p.a.
U.S.	2.2150-2.2440	2.2375-2.2385	0.37-0.47c dis	−2.25	1.03-1.13dis	−1.93
Canada	2.6470-2.6760	2.6640-2.6650	0.95-1.25c dis	−4.50	2.30-2.45dis	−3.57
Nethlnd.	5.17-5.21	5.18-5.19	1¼-½c pm	2.31	3½-2¾ pm	2.46
Belgium	76.50-77.10	76.60-76.70	[illegible]	−0.78	[illegible]	−0.66
Denmark	14.70-14.76	14.70½-14.71½	[illegible]	−1.27	[illegible]	−1.19
Ireland	1.2800-1.2890	1.2810-1.2820	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	4.67-4.70	4.67½-4.68½	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	125.00-126.75	125.00-126.20	[illegible]	[illegible]	[illegible]	[illegible]
Spain	190.25-191.50	190.55-190.75	[illegible]	[illegible]	[illegible]	[illegible]
Italy	2271-2288	2279-2281	[illegible]	[illegible]	[illegible]	[illegible]
Norway	11.96-12.05	12.02½-12.03½	[illegible]	[illegible]	[illegible]	[illegible]
France	11.02-11.09	11.04-11.05	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	10.24-10.31	10.27½-10.28½	[illegible]	[illegible]	[illegible]	[illegible]
Japan	459-468	463½-464½	[illegible]	[illegible]	[illegible]	[illegible]
Austria	33.05-33.25	33.10-33.15	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	4.24½-4.28½	4.25½-4.26½	[illegible]	[illegible]	[illegible]	[illegible]

THE DOLLAR SPOT AND FORWARD

March 16	Day's spread	Close	One month	p.a.	Three months	p.a.
UK†	2.2150-2.2440	2.2375-2.2385	0.37-0.47c dis	−2.25	1.03-1.13dis	−1.93
Ireland†	1.7290-1.7495	1.7435-1.7455	[illegible]	[illegible]	[illegible]	[illegible]
Canada	1.1898-1.1938	1.1905-1.1908	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	2.3130-2.3335	2.3165-2.3170	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	34.24-34.58	34.25-34.27	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	6.5710-6.6220	6.5725-6.5800	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	2.0870-2.1120	2.0900-2.0910	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	56.24-56.70	56.25-56.44	[illegible]	[illegible]	[illegible]	[illegible]
Spain	85.20-85.75	85.20-85.40	[illegible]	[illegible]	[illegible]	[illegible]
Italy	1018-1024	1019-1019	[illegible]	[illegible]	[illegible]	[illegible]
Norway	5.3725-5.3770	5.3750-5.3770	[illegible]	[illegible]	[illegible]	[illegible]
France	4.9290-4.9635	4.9330-4.9350	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	4.5820-4.6130	4.5920-4.5940	[illegible]	[illegible]	[illegible]	[illegible]
Japan	206.50-208.50	207.20-207.30	[illegible]	[illegible]	[illegible]	[illegible]
Austria	14.79-14.92	14.79-14.80	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	1.8975-1.9260	1.9010-1.9020	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Based on bargains recorded in SE Official List

CURRENCY MOVEMENTS

Mar. 16	Bank of England Index	Morgan Guaranty Changes%
Sterling	99.5	−26.8
U.S. dollar	99.3	−4.6
Canadian dollar	86.3	−17.8
Austrian schilling	118.9	+22.0
Belgian franc	107.9	+5.2
Danish kroner	89.8	−10.3
Deutsche mark	121.1	+40.7
Swiss franc	135.8	+76.2
Guilder	112.6	+15.5
French franc	88.9	−9.4
Lira	61.0	−53.8
Yen	146.4	+42.5

Based on trade weighted changes from Washington agreement December, 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

Mar. 13	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	12	0.553505	0.542724
U.S. $	13	1.23724	1.20374
Canadian $	17.11	1.46597	1.43893
Austria Sch.	6¾	18.3472	17.9959
Belgian F.	12	43.5116	41.6734
Danish K.	11	8.15675	7.98859
D mark	7½	2.59291	2.54192
Guilder	9	2.86990	2.81374
French Fr.	9½	6.11288	5.98542
Lira	16½	1257.86	1232.93
Yen	7¼	254.775	250.137
Norwgn. Kr.	9	6.62219	6.49718
Spanish Pts.	8	105.377	103.401
Swedish Kr.	12	5.66494	5.56007
Swiss Fr.	4	2.37471	2.32803
Greek Dr'ch.	—	—	61.8361

OTHER CURRENCIES

Mar. 16	£	$		£ Note Rates
Argentina Peso	5222-5242	2331-2341	Austria	32.80-33.20
Australia Dollar	1.9175-1.9215	0.8580-0.8585	Belgium	78.60-79.40
Brazil Cruzeiro	163.55-164.45	73.01-73.38	Denmark	14.60-14.75
Finland Markka	9.09-9.10	4.0570-4.0590	France	10.98-11.08
Greek Drachma	112.352-115.214	50.95-51.10	Germany	4.66-4.70½
Hong Kong Dollar	11.81-11.83	5.2760-5.2810	Italy	2250-2340
Iran Rial	166.30*	75.05*	Japan	452-468
Kuwait Dinar(KD)	0.605-0.611	0.2738-0.2740	Netherlands	5.17-5.22
Luxembourg Frc.	76.60-76.70	34.25-34.27	Norway	11.92-12.04
Malaysia Dollar	5.0650-5.0750	2.2620-2.2670	Portugal	121½-125½
New Zealand Dlr	2.4175-2.4225	1.0810-1.0820	Spain	185-197
Saudi Arab. Riyal	7.40-7.46	3.3495-3.3505	Sweden	10.24-10.34
Singapore Dollar	4.6950-4.7050	2.0980-2.1020	Switzerland	4.24-4.28½
Sth African Rand	1.7645-1.7555	0.7885-0.7890	United States	2.23½-2.25
U.A.E. Dirham	8.12-8.18	3.6715-3.6755	Yugoslavia	74-79

Rate given for Argentina is free rate. * Selling rate.

EXCHANGE CROSS RATES

Mar. 16	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.238	4.680	464.0	11.045	4.258	5.185	2280.	2.665	76.65
U.S. Dollar	0.447	1.	2.091	207.3	4.935	1.902	2.317	1019.	1.191	34.25
Deutschemark	0.214	0.478	1.	99.15	2.360	0.910	1.108	487.2	0.569	16.38
Japanese Yen 1,000	2.155	4.823	10.09	1000.	23.80	9.176	11.17	4914.	5.742	165.2
French Franc 10	0.905	2.026	4.237	420.1	10.	3.855	4.694	2064.	2.412	69.40
Swiss Franc	0.235	0.526	1.099	109.0	2.594	1.	1.218	535.5	0.626	18.00
Dutch Guilder	0.193	0.432	0.903	89.49	2.130	0.821	1.	439.7	0.514	14.78
Italian Lira 1,000	0.439	0.982	2.053	203.5	4.844	1.867	2.274	1000.	1.169	33.62
Canadian Dollar	0.375	0.840	1.756	174.1	4.145	1.598	1.946	855.7	1.	28.77
Belgian Franc 100	1.305	2.920	6.105	605.3	14.41	5.554	6.765	2975.	3.476	100.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Mar. 16	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	12½-12¾	14¼-14½	15-16	10-10⅛	6½-7	9-9¼	11⅜-11⅝	15½-17½	12-13	8-8½
7 days' notice	12½-12¾	14⅜-14⅝	15-16	10$\frac{1}{16}$-10$\frac{3}{16}$	5-5½	10-10¼	11⅜-11⅝	16-18	12-12⅛	7⅞-8⅛
Month	12⅞-12$\frac{15}{16}$	14⅜-14⅝	16⅝-17	10$\frac{1}{16}$-10$\frac{3}{16}$	8⅜-8½	11⅜-11¾	11-11¼	17¼-18¼	12⅞-13	7¾-8
Three months	12$\frac{11}{16}$-12$\frac{13}{16}$	14½-14¾	16⅜-16¾	10$\frac{7}{16}$-10$\frac{9}{16}$	8$\frac{7}{16}$-8$\frac{9}{16}$	11¾-11⅞	11⅞-12⅛	17¾-18¾	13½-13¾	7$\frac{7}{16}$-7$\frac{11}{16}$
Six months	12$\frac{9}{16}$-12$\frac{11}{16}$	14¾-15	15¾-16⅛	10$\frac{7}{16}$-10$\frac{9}{16}$	8⅜-8½	11⅜-11⅝	12¼-12½	18-19	13½-13¾	7¼-7½
One Year	12½-12⅞	14⅝-14⅝	14¾-15⅛	10⅝-10$\frac{13}{16}$	8⅛-8¼	10⅞-11	12⅞-13⅛	18½-19½	13⅜-14	7$\frac{7}{16}$-7$\frac{11}{16}$

SDR linked deposits: one-month 12½-12⅞ per cent; three-months 12⅝-13 per cent; six-months 12$\frac{11}{16}$-12$\frac{15}{16}$ per cent; one year 12$\frac{9}{16}$-12$\frac{13}{16}$ per cent.

Asian \$ (closing rates in Singapore): one-month 15$\frac{3}{16}$-15$\frac{5}{16}$ per cent; three-months 15$\frac{3}{16}$-15$\frac{5}{16}$ per cent; six-months 15⅛-15¼ per cent; one year 15-15⅛ per cent. Long-term Eurodollar two years 14¾-14⅞ per cent; three years 14¾-14⅞ per cent; four years 14½-14¾ per cent; five years 14½-14¾ per cent; nominal closing rates. Short-term rates are call for U.S. dollars, Canadian dollars and Japanese yen; others two-days' notice.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 14.45-14.55 per cent; three-months 14.45-14.55 per cent; six-months 14.40-14.50 per cent; one year 14.20-14.30 per cent.

FT LONDON INTERBANK FIXING (11.00 a.m. MARCH 16)

3 months U.S. dollars		6 months U.S. dollars	
bid 14 7/8	offer 15	bid 15	offer 15 1/8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for \$10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

INTERNATIONAL MONEY MARKET

Europe rates mixed

Short-term interest rates eased slightly in early Frankfurt trading, but then firmed amid rumours of further moves by the German Bundesbank to drain money market liquidity. Call money fell to 9.5 per cent as funds acquired earlier in the month under the special Lombard facility came on offer, but then rose to 10.25 per cent, compared with 10.50 per cent on Friday.

The Bundesbank declined to comment on whether it had withdrawn funds from the market, but it appeared that the central bank drained money through very short term repurchase agreements, maturing in two or three days.

One-month money fell to 12.75-13.00 per cent from 13.00-13.20 per cent, and three-month to 13.10-13.40 per cent from 13.40-13.50 per cent. On the other hand six-month funds rose to 12.90-13.20 per cent from 12.50-13.00 per cent, while 12-month was quoted at 11.50-12.00 per cent against 11.70-12.00 per cent.

In Paris call money was quoted at 11⅞ per cent, after rising to 11¾ per cent in the middle of last week. One-month money was quoted at 11$\frac{15}{16}$ per cent; three-month at 12$\frac{1}{16}$ per cent; and six- and 12-month at 12$\frac{1}{16}$ per cent.

In Amsterdam call money rose to 10-10½ per cent from 9-9½ per cent, but period rates were slightly easier. One-month funds fell to 10½-10¾ per cent from 10¾-11 per cent, with three-month quoted at 10⅜-10⅝ per cent against 10½-10¾ per cent, and six-month at 10⅜-10⅝ per cent compared with 10½-10⅞ per cent. 12-month declined to 10⅜-10⅝ per cent from 10¾-11 per cent.

GOLD

Firmer trend

Gold rose by \$6 an ounce in the London bullion market yesterday to close at \$497-500. The metal opened at \$491-494 and reached a best level of \$503 before coming back slightly towards the close. Interest in gold was stimulated by a lower trend in U.S. interest rates and a weaker trend in the dollar.

In Paris the 12½-kilo bar was fixed at FFr 88,850 per kilo (\$546.11 per oz) in the afternoon compared with FFr 88,000 (\$538.74) in the morning, and FFr 85,300 (\$532.65) on Friday afternoon.

In Frankfurt the 12½-kilo bar was fixed at DM 33,930 per kilo (\$502.01 per oz) against DM 33,620 (\$495.02) previously and closed at \$499-502 compared with \$491-493 per oz on Friday. In Zurich gold finished at \$499-502 against \$491-494 previously.

	Mar. 16		Mar. 13	
Gold Bullion (fine ounce)				
Close	\$497-500	(£221-222¼)	\$491-494	(£221¼-222½)
Opening	\$491-494	(£221-222¼)	\$486-489	(£218½-220)
Morning fixing	\$499.25	(£224.291)	\$492	(£221.522)
Afternoon fixing	\$499.75	(£223.055)	\$492	(£221.572)
Gold Coins				
Krugerrand	\$511-515¼	(£228¼-229¼)	\$506-509½	(£229-229½)
1/2 Krugerrand	\$263-265	(£117½-118½)	\$261-263	(£117½-118½)
1/4 Krugerand	\$134-136	(£60-60¾)	\$133-135	(£60-60¾)
1/10 Krugerrand	\$56-58	(£25-26)	\$56-57	(£25¼-25¾)
Mapleleaf	\$506-507½	(£226-226¾)	\$503-504½	(£226¾-227¼)
New Sovereigns	\$124¼-125¼	(£55½-56)	\$123¼-124¼	(£55½-56)
King Sovereigns	\$140-142	(£62½-63½)	\$142-144	(£64-65)
Victoria Sovs	\$140-142	(£62½-63½)	\$142-144	(£64-65)
French 20s	\$167-170	(£74½-76)	\$170-175	(£76½-78)
50 pesos Mexico	\$615-620	(£274¾-277)	\$610-615	(£275-277)
100 Cor. Austria	\$483-487	(£215¼-217½)	\$476-481	(£214½-216½)
$20 Eagles	\$616-621	(£275¼-277½)	\$607-612	(£273½-275¾)

UK MONEY MARKET

Exceptional help

Bank of England Minimum Lending Rate 12 per cent (from March 10, 1981)

Day-to-day credit was in short supply in the London money market yesterday and the authorities gave exceptionally large assistance by buying a small amount of Treasury bills and local authority bills, plus a very large number of eligible bank bills outright from the discount houses, as well as a large amount of bills from the houses which will be resold at a fixed future date. The Bank of England also lent a moderate sum to three or four houses for one week, at a rate above Minimum Lending Rate.

Banks brought forward small above target balances, but this was outweighed by a very large amount of commercial bills maturing in official hands, and a small excess of revenue payments to the Exchequer over Government disbursements.

Discount houses paid about 12 per cent for secured call loans at the start, with closing balances taken at 10-12 per cent.

MONEY RATES

NEW YORK	
Prime Rate	17½-18
Fed. Fund	14¼-14½
Treasury Bills (13-week)	13.00
Treasury Bill (26-week)	12.22
GERMANY	
Discount Rate	7.5
Overnight Rate	10.25
One month	12.875
Three months	13.25
Six months	13.05
FRANCE	
Discount Rate	9.5
Overnight Rate	11.625
One month	11.8125
Three months	12.4375
Six months	12.6875
JAPAN	
Discount Rate	7.25
Call (Unconditional)	6.0625
Bill Discount (three-month)	7.78125

LONDON MONEY RATES

Mar. 16 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	10-13¼	13¼	—	—	12½	10-12	—	—	—
2 days notice	—	—	13	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	12⅝-13⅛	12⅞-13	—	13¼	13¼	12	—	—	—
One month	13-12¾	12⅞-13⅛	12¾-12⅞	14-13¾	13¼	13¼	12	—	—	—
Two months	12$\frac{13}{16}$-12¾	12$\frac{13}{16}$-13	—	13½-13¼	13½	13¼	12	11⅞-12	12$\frac{1}{32}$	13¼
Three months	12$\frac{11}{16}$-12½	12⅝-12⅞	12¾	13-12⅝	13	13	12	12	11$\frac{15}{16}$	13
Six months	12$\frac{9}{16}$-12$\frac{7}{16}$	12$\frac{7}{16}$-12⅝	12¼-12½	12¾-12⅝	12⅞	13	—	11$\frac{13}{16}$-11$\frac{11}{16}$	11$\frac{13}{16}$-11$\frac{11}{16}$	12½
Nine months	12¼-12⅛	12¼-12$\frac{7}{16}$	—	12¾-12½	12$\frac{7}{16}$	13	—	—	11$\frac{7}{16}$-11½	11¾
One year	12¼-12$\frac{1}{16}$	12$\frac{1}{16}$-12$\frac{5}{16}$	12¼-12⅜	12½-12¼	12$\frac{7}{16}$	13	—	—	—	—
Two years	—	—	12⅛-12⅞	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates nominally three years 12¾-13 per cent; four years 13-13⅛ per cent; five years 13¼-13⅜ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 11¾ per cent; four-month trade bills 12½ per cent.

Approximate selling rate for one-month Treasury bills 11⅞ per cent; two-months 11⅞ per cent; three-months 11⅞ per cent. Approximate selling rate for one-month bank bills 11$\frac{15}{16}$-11⅞ per cent; two-months 12 per cent; and three-months 12 per cent; Finance Houses Base Rates (published by the Finance Houses Association): 13 per cent from March 1, 1981. Clearing Bank Deposit Rates for sums at seven days' notice 9 per cent. Clearing Bank Rates for lending 12 per cent. Treasury Bills: Average tender rates of discount 11.6361 per cent.

NEAR-RECORD ORDERS FOR AVONDALE YARD

Ogden bucks shipbuilding trend

BY IAN HARGREAVES IN NEW YORK

THE U.S. shipbuilding industry is such a disaster area that in the country's laboured national debate about "The Re-industrialisation of America," it is seldom even mentioned.

And President Reagan, who spent a lot of time on the campaign trail bemoaning the decline in U.S. merchant marine and shipbuilding power, has quickly compounded this sense of desolation by cutting this year's subsidy programme, designed to encourage U.S. flag shipowners to build in their home yards. Without such subsidies, it is safe to say, there would be no shipyards at all, as their costs are so far out of line with world standards.

But as the industry's order-book has staggered downwards, from over 5m gross tons in 1974 to about 1.3m tons today, a handful of shipbuilders has remained optimistic, and none more so than Mr. Ralph Ablon, chairman of Ogden Corporation, whose Avondale Shipyard near New Orleans is sitting on a near record order book and expects to turn last year's more than $10m operating loss into a $10m profit this year.

Avondale, helped by a more flexible non-union workforce and a Gulf of Mexico location, has survived the demise of two large competitors—Sun Shipbuilding and Seatrain's Brooklyn Yard—to be able now to look forward to a better supply demand relationship in the industry.

Mr. Ablon dismisses the cut in the subsidy programmea s irrelevant, since, he says, it represented an entitlement not expected to be taken up this year anyway. And he believes there is a silver lining in the Reagan approach in the increase in naval defence spending, which he believes will produce work for non-combat ships, such as oil tankers and patrol boats, for yards like Avondale. He squashes perfunctorily suggestions from the Pentagon that some of these ships might be built in the Navy's own repair yards.

"We can't build ships which are competitive with Japan," he acknowledges, but maintains that with the prospective increase in naval shipbuilding, plus Ogden's determination to use Avondale for other types of engineering work in the booming energy industry—its location by the Gulf of Mexico is ideal from this point of view —Avondale has a bright future.

Indeed, Mr. Ablon views Avondale as the centrepiece of Ogden's thrust in what he sees as certain rapid growth for modular built engineering plant, as the current unprecedented oil drilling boom in the U.S. matures into a larger and more stable domestic energy industry. As Ogden also builds railway freight cars, heat exchangers and runs a large scrap metal business, it has several other flanges to this attack, flanges which will in addition be especially useful in profiting from the expected surge in U.S. coal exports. "New plants will be built on barges and large plant modules will be built and transported to plant sites by water," he says.

It is with this vision in mind that Ogden is also pursuing an acquisition strategy, which had its first *unsuccessful try-out this* year with the unsuccessful attempt to buy Buffalo Forge, an upstate New York maker of machine tools and pumps.

The Buffalo Forge deal fell through because Ogden, which came in as a white knight, was not prepared to match the final offer price of its rival, Ampco-Pittsburgh, although Ogden hopes to make at least a couple of million dollars profit selling its shares in Buffalo to Ampco.

But Ablon, a man with a fondness for setting his company's activities within the scope of broadranging intellectual theses about the future of the industrial world, is ready to identify with three areas where Ogden is still actively looking for acquisitions.

These are in engineering, in order to build on Avondale and the company's large, but currently struggling, scrap metal subsidiary, in food production, in order to fit in with Ogden's line of pasta sauce, soups and beans, and in adding to the company's service sector, which includes racetracks and catering.

These ambitions will be funded, at least in part, by trades involving Ogden shares, 6m of *which are held in the company's* treasury, with a value of about $200m. Ablon is proud of telling visitors that Ogden bought this stock back in the market for about half that price during the 1970s, when the company's future looked less bright.

Although Ogden's long term debt is a hefty $456m, versus shareholders equity of only $404m, most of that is ship debt.

The ships are nearly all long term financed, unusual for the bank debt dominated shipping industry, which means that Ogden still has scope to borrow in order to expand.

The question with Ogden, however, as with all conglomerates, is the extent to which management can make the entire organisation advance in step. Conglomerates traditionally run into trouble because management becomes pre-occupied with fighting fires at one division after another.

In many respects, Ogden is no exception to this. Only last year did it make sense of the food business after shutting down production capacity and tying its fortunes more closely to private lable customers.

But Ogden's share price performance in the last year, trading within a very narrow $30 to $34 range, is evidence of a sense of stability at the least in the market's eye and some analysts see Ogden's net profits doubling between 1980 and 1984.

Ogden itself is looking for a boost in operating profits this year from $91m last year to between $120m and $130m. Predictions about net are harder because of the exceptional tax conditions surrounding shipping and shipbuilding activities, although Ogden cannot expect too many years like 1980, when it paid only $9.5m in taxes, compared with $42m in 1978.

A GUIDE TO OGDEN CORPORATION ($m)

	Sales 1980	Sales 1979	Operating profit 1980	Operating profit 1979
Shipbuilding	642	564	−10.4	32.8
Shipping	150	118	42.5	35.7
Marine Terminals	167	152	5.6	6.0
Industrials (scrap, freight cars, etc.)	858	934	40	35
Services (catering, leisure)	253	249	6.3	10.2
Food	198	195	6.4	−6.3
Less internal sales	82.7	5.8	nil	nil
Group net sales	2.2bn	2.2bn		
Group operating profit			90.8m	117.4m

Increased costs hit K mart earnings

By David Lascelles in New York

THE TOUGH times endured by the U.S. retail business last year were underlined by the sharp drop in profits reported yesterday by K mart, the second largest in the business.

Net income was down 27 per cent in spite of an almost 12 per cent rise in sales, closely resembling the experience of Sears, Roebuck, largest in the retailing business, which reported a 25 per cent profit decline last week.

But, like Sears, K mart also said the Christmas buying spree was better than expected, and this gave the final quarter a slight lift, though not enough to produce an actual gain in profits over the comparable period the year before.

K mart's full year net income was $260.5m, or $2.07 a share, down from $358m or $2.84 a share the year before. Sales were $14.2bn, up from $12.7bn in 1979. K mart's fiscal year runs to the end of January. In the final quarter, profits were $131m or $1.03 a share, a decline of 10 per cent on the previous year's $146m or $1.15 a share. Sales were $4.4bn, up from $4bn.

Mr. Bernard Fauber, chairman, said that sales for the year had fallen slightly short of plan, and that profits had been affected partly by the effect of Lifo accounting, which knocked the equivalent of 47 cents a share off full year profits, and by higher expenses, including interest costs.

However, he said he saw signs of an improving business climate, marked by *changing attitudes* and an easing of the wage-price spiral. And though he foresaw some difficulties in 1981, he said: "We are generally encouraged by what we see."

● Final quarter earnings at *Jewel Companies*, the Chicago-based supermarket trader, jumped 56 per cent, from $18.66m or $1.67 a share to $29.24m or $2.39 a share, on sales of $1.2bn against $934.8m. This boosted net annual profits by 31 per cent, from $49.31m or $4.42 a share to $64.55m or $5.52 a share. Sales for the year increased from $3.68bn to $4.27bn.

Bond issues for Pepsico and American Airlines

BY OUR EUROMARKETS STAFF

PRICES OF straight dollar Eurobonds were marked higher by up to ½ of a point yesterday as short-term dollar interest rates fell further.

Six-month Eurodollars closed about ½ of a point lower at 14½, their lowest level this year.

This allowed the market to *shrug off the unexpected* gain in U.S. money supply announced late on Friday. Sentiment was further helped by a strong opening in the New York bond market.

Although two new issues were announced yesterday, there is still no sign of a flood of offerings along the lines witnessed in early February and early January.

One of the issues, $50m for American Airlines, was already expected last week. It is a five-year bond with a coupon of 15½ per cent priced at par by lead managers Merrill Lynch and Salomon Brothers. The bonds will bear warrants allowing investors to purchase seven-year bonds at the same coupon and issue price.

The other is a $75m convertible issue for Pepsico led by Credit Suisse First Boston. Indicated terms provide for a coupon of between 8 and 8½ per cent and a conversion premium of 15 to 20 per cent.

Swiss franc foreign bond prices were little changed, but there was some interest in Deutsche-Mark denominated bonds which pushed prices up towards the close.

The next issue in this sector is expected to be DM 100m for the Asian Development Bank, which looks set to be launched on Thursday. The market expects a coupon of 10½ per cent, which would be ¼ per cent lower than that on the last foreign bond for the European Investment Bank.

Sterling issues were quietly firmer, with investors showing keen interest in the new Swedish bulldog bond.

Elsewhere, Kredietbank International confirmed it has been mandated by the Italian State telecommunications concern, STET, to manage the first ever bond issue in European Currency Units (ECUs), details of which will be published later in the week.

● Luxembourg's role as a gold centre will be enhanced from today, when the stock exchange is to introduce a daily gold price fixing. The fixing, at 10.30 am local time, will set the price for one kilo bars in Luxembourg banks and the price for the 12.5 kilo ingot which will be expressed in terms of dollars per ounce.

Growth in gold dealing in Luxembourg has increased recently because unlike Switzerland and Germany, gold trading in Luxembourg is entirely free of value added or sales tax.

Hudson's Bay profits fall sharper than forecast

BY OUR FINANCIAL STAFF

HUDSON'S BAY, the Canadian retail group now controlled by International Thomson, announced unaudited earnings for the year ended January 31 were C$54.6m (US$45.5m) or C$1.80 a share compared with C$80.3m or C$2.98 for 1979.

The company said the decrease in earnings from those estimated on March 5 was almost exclusively attributable to lower than anticipated earnings from investments and joint ventures. In March the company warned that per share earnings for the year could be about 25 per cent lower.

More than half the shortfall is attributable to the investment in Simpsons-Sears, which earned 58 cents a share compared with 85 cents last year.

John Labatt, the major brewer and consumer and agri-products group controlled by Brascan and the Peter and Edward Bronfman interests, earned C$30.6m (US$25.5m) or C$2.20 a share in the first nine months of this year, against C$29.5m or C$2.12 a year earlier, writes Robert Gibbens in Montreal.

Fewer sales of ITT assets this year

By Our Financial Staff

INTERNATIONAL Telephone and Telegraph (ITT) *expects to* make fewer asset disposals this year than in 1980, when it reported a $43m gain on asset sales, Mr. Cabell Woodward, chief financial officer, announced in New York.

He said the company has not divested itself of all assets it planned to, but that most of them have been sold. He does not think the poor economic conditions in Europe will adversely affect the company's sale plans.

Mr. Woodward also qualified a statement the company made last week that foreign exchange rates will adversely affect 1981 results, saying that this would be the case only if exchange rates remained at current levels.

He said foreign exchange translations have helped the company in the first quarter.

ITT announced last week that 1980 net earnings totalled $894m or $6.12 a share compared with $383m or $2.65 a share a year ago.

The outlook for the year for *the telecommunications equipment*, defence and avionics, finance and energy divisions of ITT, was "very good."

Bache to buy smelter

BY OUR NEW YORK STAFF

BACHE GROUP, the large Wall Street investment firm, said yesterday that it planned to buy a precious metal smelting company, Jackson Precious Metals, based in Ohio, and would make a major capital expenditure to increase its capacity. Bache is already *deeply involved in precious* metals trading through its Bache Metals subsidiary.

The value of the deal was not disclosed, though it is *believed to involve* the exchange of substantially fewer than 200,000 Bache shares, which recently have been trading at around $11.

Although Bache trades and supplies large quantities of gold and silver, this is thought *to be a rare example of a Wall* Street firm involving itself in the production of commodities in which it deals.

Dillingham plan for partial liquidation

By Our Financial Staff

THE Board of the Dillingham property, maritime and energy group, said a plan calling for the partial liquidation of the company is expected to be recommended to its shareholders.

Under the plan most of the company's Hawaiian real estate would be transferred to a new limited partnership and transferable limited partnership interests would be distributed on a pro rata basis to common stock holders.

After the distribution, the limited partnership is expected to develop a programme to sell the real estate assets in an orderly fashion and distribute the proceeds to the partnership.

While the Board's final determination is subject to confirmation of certain tax and other legal matters, the company's management believed that this proposal has the potential of realising underlying values of its real estate assets.

Dillingham said the real estate to be transferred to the partnership included the Ala Moana shopping centre and the Ala Moana office building in Honolulu.

Cash flow from the shopping centre, before debt service and income taxes, was about $14.8m last year.

U.S. QUARTERLIES

AMERICAN STORES	1980-81 $	1979-80 $
Fourth quarter		
Revenue	1.72bn	1.71bn
Net profits	18.53m	19.68m
Net per share	1.60	1.79
Year		
Revenue	6.42bn	3.79bn
Net profits	51.56m	44.43m
Net per share	4.11	4.36

COASTAL CORPORATION	1980 $	1979 $
Fourth quarter		
Revenue	1.39bn	1.32bn
Net profits	28.9m	27.1m
Net per share	1.23	1.31
Year		
Revenue	5.12bn	4.28bn
Net profits	109.5m	100.5m
Net per share	4.63	4.92

FOXBORO	1980 $	1979 $
Fourth quarter		
Revenue	143.3m	131.4m
Net profits	11.74m	7.23m
Net per share	1.42	0.87
Year		
Revenue	509.1m	471.5m
Net profits	32.05m	33.71m
Net per share	3.87	4.07

HANOVER INSURANCE COS.	1980 $	1979 $
Fourth quarter		
Revenue	114m	110m
Net profits	9.39m	9.08m
Net per share	2.27	2.69
Year		
Revenue	480m	444.1m
Net profits	37.11m	30.7m
Net per share	10.95	9.09

MARLEY CO.	1980-81 $	1979-80 $
First quarter		
Revenue	121.8m	71.9m
Net profits	2.88m	4.86m
Net per share	0.31	0.95

PACIFIC GAS TRANSMISSION	1980 $	1979 $
Fourth quarter		
Revenue	351.2m	336.1m
Net profits	3.81m	2.08m
Net per share	0.47	0.26
Year		
Revenue	1.41bn	1.01bn
Net profits	11.77m	8.36m
Net per share	1.45	1.03

RYAN INSURANCE GROUP	1980 $	1979 $
Year		
Revenue	188.9m	208.4m
Net profits	10.29m	9.36m
Net per share	2.54	2.28

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Tuesday, April 14. Closing prices on March 16

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amoco 13¾ 88	75	96¾	96⅞	+0⅛	+1⅛	14.02
CECA 11½ 88	100	89	89½	+0⅛	+0⅛	13.94
CNE 12¾ 91	100	92½	93	+0⅛	+1⅛	14.14
Citicorp O/S Fin. 10 86	300	86½	87	+0⅛	+1⅛	13.84
Citicorp O/S Fin. 12 87	200	91¾	92¼	+0⅛	+0⅛	13.89
Con. Illinois O/S 9¾ 86	150	84¼	84¾	0	+0⅛	14.06
Denmark 11¾ 90	100	85⅞	86⅜	0	−0⅛	14.55
Dupont Canada 13½ 91	65	96¼	96¾	+0⅛	+0⅛	14.16
EEC 11 95 (May)	75	80⅞	81⅜	+0⅛	+1⅛	14.13
EEC 11 95 (August)	70	79⅞	80⅜	+0⅛	+1⅛	14.35
EIB 13¾ 90	100	97½	98	+0⅛	+0⅞	14.18
Eksportfinans 9½ 87	75	82¾	83¼	0	+0⅛	13.88
Eldorado 13¾ 88	50	96⅜	96⅞	+0⅛	+0⅛	14.24
Elec. de France 10 88	125	82¾	83¼	+0⅛	+0⅞	13.81
Elec. de France 13 88	125	95⅞	96⅜	+0⅛	+0⅛	13.89
Export Dv. Cpn. 12¾ 87	100	95	95½	+0⅛	+0⅞	13.82
Export Dv. Cpn. 9½ 86	150	84¾	85¼	+0⅛	+0⅞	13.99
Fed. Bs. D. 12¾ 85 (N)	50	94⅛	94⅝	—	—	13.91
Fin. Exp. Credit 10½ 85	60	86¾	87¼	−0⅛	−0⅛	14.75
Finland, Rep. of 9½ 86	100	82⅜	82⅞	0	0	14.64
Ford Credit O/S 14⅝ 83	150	98⅞	99⅜	+0⅛	+1⅛	14.94
Ford Cr. O/S Fin. 16 84	150	103¼	103¾	0	+0⅛	14.41
Gaz de France 13½ 86	80	98¾	99¼	+0⅛	+0⅞	13.76
GMAC O/S Fin. 12 87	100	89⅞	90⅜	+0⅛	+0⅛	14.38
GMAC O/S Fin. 12⅞ 88	100	92⅞	93⅜	+0⅛	+1⅛	14.50
Gen. Mtrs. O/S 11¾ 87	100	89⅜	89⅞	0	+0⅛	14.30
GTE Fin. 13⅝ 86 (WW)	50	98⅛	98⅝	−0⅛	−0⅛	14.16
Hudson's Bay 11½ 90	75	85⅝	86⅛	+0⅛	+0⅛	14.29
IBM Wld. Trade 12½ 88	200	98⅛	98⅝	+0⅛	+1⅛	13.29
Newfoundland 13½ 90	60	95⅜	95⅞	+0⅛	+0⅛	14.41
Nova Scotia 10¾ 90	50	83¾	84¼	+0⅛	+1⅛	13.99
OKB 10 85	50	87⅞	88⅜	+0⅛	+0⅛	13.77
Ontario Hydro 13½ 91	100	96⅛	96⅝	+0⅛	+0⅛	14.19
Quebec Hydro 11½ 92	100	84	84½	+0⅛	+0⅞	14.38
Queb. Hy. 13 91 (WW)	100	92¾	93¼	+0⅛	+0⅛	14.35
Royleese 11⅞ 85	50	91⅞	92⅜	+0⅛	+0⅛	13.86
SNCF 12⅞ 85	50	96⅛	96⅝	+0⅛	+1	13.70
SNCF 13 91	75	94⅞	95⅜	+0⅛	+0⅞	13.95
Sven Handelsbk. 13¾ 88	45	96⅜	96⅞	+0⅛	+1	14.53
Sweden 12⅞ 85	150	94⅞	95⅜	+0⅛	+0⅛	13.84
Swed. Ex. Credit 12 89	50	94⅜	94⅞	+0⅛	+0⅛	14.58
Swed. Ex. Credit 13 86	75	95	95½	0	+0⅛	14.39
Tribune O/S Fin. 14 86	50	98¼	98¾	+0⅛	+0⅛	14.43
World Bank 9¾ 85	200	88⅛	88⅝	0	+0⅛	13.44
World Bank 10⅝ 87	300	85½	86	+0⅛	+1⅛	13.76

Average price changes... On day +0⅛ on week +0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asia Dev. Bk. 8⅝ 90	100	88¾	89½	+0⅛	+1⅛	10.18
Australia 8½ 90	250	93¾	94	0	+2⅛	9.20
Austria, Rep. of 8¾ 92	150	88⅞	89¾	+0⅛	+1⅛	9.83
BFCE 8⅛ 95	100	86⅝	87⅛	0	+0⅞	9.92
CECA 7⅞ 92	150	87	88	+0⅛	+1⅛	9.72
Cii-Honeywell 8⅛ 90	125	90⅛	90⅞	−0⅛	+0⅛	9.96
Denmark 8¾ 92	100	89⅜	90⅛	−0⅛	+0⅛	9.62
EIB 8½ 90	200	91⅝	92⅜	0	+1	9.81
ESCOM 9¾ 87	100	91⅜	92½	+0⅛	+0⅛	10.96
Iberduero SA 9 90	100	91¾	92¼	−0⅛	+1⅛	10.40
Ind. Bk. Finland 8½ 90	50	88¾	89	+0⅛	+2⅛	10.41
Japan Air Lines 8¾ 87	100	92¾	93¼	−0⅛	+1⅛	9.63
Japan Dev. Bank 7⅞ 87	100	89½	90¼	−0⅛	+1⅛	9.79
Kobe, City of 8 90	100	88⅜	89⅜	0	+0½	9.85
Midland Int. Fin. 8½ 90	180	91⅞	92⅝	0	+1⅛	9.77
Norway 7½ 85	250	93¾	94	−0¼	+0⅛	9.55
Nuclebras 9¾ 88	100	85⅜	86⅛	+0⅛	+1	12.78
OKB 8¾ 92	150	87½	88¼	0	+1½	10.08
Oslo, City of 8¾ 90	80	93⅜	94	+0⅛	+1	9.85
Venezuela, R. of 9¾ 90	150	93⅛	93⅞	+0⅛	+0½	10.85
World Bank 8 90	700	87⅞	88⅝	−0⅛	+0⅛	9.97
World Bank 10 86	150	101⅞	102⅝	0	+0⅛	9.41
World Bank 10 90	200	101⅞	102⅝	0	+1⅛	9.61

Average price changes... On day 0 on week +1

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Austria, Rep. of 5⅝ 90	100	92½	93	−0⅛	+3⅛	6.42
BFCE 6½ 91	100	101½	101¾	−0⅛	+0⅛	6.27
Bayer Int. Fin. 5¾ 92	100	91¾	92¼	−0⅛	+1⅛	6.74
Bergen, City of 6 90	50	96¼	96½	+0⅛	+1⅛	6.53
Buhrm'n-Tetterode 7 90	40	101	101¼	−0⅛	+0⅞	6.83
Copenhagen Tele. 5⅞ 90	60	†91	91½	−0⅛	+0⅛	7.04
Denmark 6¾ 90	80	91⅝	92¼	+0⅛	+3⅛	6.94
Dome Petroleum 5⅞ 91	100	93⅜	93⅞	0	+0⅛	6.63
Elat. de France 5¾ 90	100	92	92¼	+0⅛	+1⅞	6.27
Eurofima 5⅞ 92	80	99¾	100	+0⅛	+0⅛	5.76
F. G. H. Hypo. Bk. 6 90	50	†97	97½	+0⅛	+1⅛	6.40
Finland, Rep. of 5⅝ 90	80	91½	91¾	−0⅛	+1⅛	6.85
Int.-Amer. Dev. 7 90	80	†101½	102	0	+1⅛	6.73
Japan Dev. Bank 5¾ 90	100	94	94¼	+0⅛	+1	6.59
Jutland Tele. 5½ 90	50	88½	89	−0⅛	−1½	7.26
Mt. Blanc Tunnel 5½ 90	60	92¼	92½	+0⅛	+1⅛	6.60
Newag 5¾ 90	80	†92	93	−1⅛	−0⅛	6.86
Norges Komm. 4⅝ 91	100	84¼	84¾	+0⅛	+3⅞	6.44
OKB 6 90	100	95¼	95⅝	−0⅛	−1⅛	6.68
Oslo, City of 4¾ 91	100	81	81½	0	+0⅛	6.45
Oslo, City of 5⅞ 90	80	94	94⅛	−0⅛	−0⅛	6.72
Philips Lamps 5¼ 92	100	89¾	90	0	+1⅛	6.53
Sekisui Pre. Hms. 6 90	80	†94½	95	−0⅛	+2½	6.77
Trade Dev. Fin. 6½ 90	50	95⅞	95½	+0⅛	+2⅛	6.79
Voest-Alpine 5¾ 90	80	93¼	93¾	+0⅛	+2¾	6.73
World Bank 6 91	100	94½	94⅞	0	0	6.74

Average price changes... On day 0 on week +1¼

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 5.6 83	30	92⅝	93⅛	+0⅛	+0½	8.66
Australia 6½ 88	20	87⅝	88⅝	+1⅛	+0½	8.62
EIB 7⅝ 89	12	93½	94⅛	+0⅛	+0⅛	8.84
Finland 5.6 89	10	91⅞	92⅞	+0½	+0½	8.95
Finland 6.8 88	10	87½	88½	+0⅛	+0½	9.18
Finland, Rep. of 8⅝ 87	15	96¾	97¾	+0⅛	+0¼	8.96

Average price changes... On day +0½ on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10⅝ 86 C$	60	91¼	92	+0⅛	+0⅛	12.92
CIBC 13½ 85 C$	50	97¾	98½	−0½	0	14.13
CIBC 11½ 85 C$	60	91¾	92¼	−0⅛	−0⅛	14.08
Federal Dev. 11½ 90 C$	80	†85	86	0	−0½	14.38
Fst. Can. Inv. 10 84 C$	50	†88½	89¼	0	+0⅛	14.60
R. Bk. Canada 10 88 C$	40	91⅜	92⅜	+0⅛	+0⅛	12.19
Tordom Cpn. 13½ 85 C$	30	†98	98⅝	+0⅛	+0½	14.00
M. Bk. Dnmk. 9 91 EUA	25	89½	91	−0⅛	+0⅛	10.55

	Issued	Bid	Offer	Change on day	Change on week	Yield
SOFTE 8⅝ 89 EUA	40	85⅝	85⅞	0	−0⅛	10.92
U. Bk. Nwy. 9½ 90 EUA	18	97	98⅝	0	+0⅛	9.81
Algemene Bk. 10⅛ 86 Fl	60	95⅝	96⅝	0	0	11.34
Bk. Mees & H. 10 85 Fl	75	97⅞	98⅞	+0⅛	+1⅛	10.52
Heineken NV 10 87 Fl	100	96⅝	96⅝	+0⅛	+1⅛	10.79
Nat. Nederlnd. 10 86 Fl	100	95	95⅞	+0⅛	+1⅛	11.04
Ned. Middl. Bk. 10 85 Fl	75	98	98⅞	0	+0⅛	10.33
Pierson 10⅛ 86 Fl	50	98⅝	98⅝	+0⅛	+0⅛	10.65
Aero Paris 13¾ 87 FFr	150	94⅝	95⅝	+0⅛	+1⅛	14.31
Charb'nages 13¾ 85 FFr	400	98⅝	99⅝	+0⅛	+0⅞	14.20
CECA 14⅛ 86 FFr	150	98⅝	100⅝	+0⅛	+1⅛	14.21
EIB 14⅛ 88 FFr	300	98⅝	99⅝	+0⅛	+1⅛	14.27
Finland 11 84 FFr	50	90⅝	91⅝	+0⅛	+2	14.17
Gaz de France 14 86 FFr	150	97⅝	98⅝	+0⅛	+1	13.94
La Redoute 14⅛ 85 FFr	125	95⅝	96⅝	+0⅛	+0⅛	15.48
OKB 14 86 FFr	400	98⅝	99⅝	+0⅛	+1⅛	14.24
Utd. Mex. Sts. 14 85 FFr	150	97	98	+0⅛	+1⅛	14.75
Acona 14 85 £	20	96⅝	96⅝	+0⅛	+1⅛	15.15
Beneficial 14⅛ 90 £	20	94	94⅝	+0⅛	+0⅛	15.36
BNP 13⅝ 91 £	15	94⅝	95⅝	−0⅛	+0⅛	14.18
CECA 13⅛ 88 £	20	96⅝	97⅝	−0⅛	+0⅛	14.18
Citicorp O/S 13⅛ 90 £	50	[illegible]	[illegible]	+0⅛	+1⅛	14.16
Fin. for Ind. 14⅛ 88 £	20	99⅝	100⅝	+0⅛	+0⅛	14.46
Fin. for Ind. 13⅛ 87 £	15	95	95⅝	+0⅛	+0⅛	14.12
Gen. Elec. Co. 12⅛ 89 £	50	95	95⅝	+0⅛	+1⅛	13.48
Peugeot SA 14 90 £	20	94⅝	95⅝	+0⅛	+1⅛	15.01
Rothschild 14⅛ 90 £	12	97⅝	98⅝	+0⅛	+0⅛	14.56
Royal Trustco 14 86 £	12	99⅝	100⅝	0	+0⅛	14.03
Swed. Ex. Cr. 13⅛ 86 £	20	102⅝	103⅝	0	+0⅛	14.12
Benobras 8⅛ 90 KD	7	†89⅝	90	0	0	10.02
CCCE 9⅛ 91 KD	10	102⅝	103⅝	0	0	11.06
Sonatrach 8⅛ 90 KD	12	†92	93⅝	0	0	9.83
Akzo 9⅛ 87 LuxFr	500	91⅝	92⅝	+0⅛	0	11.96
Euratom 9⅛ 88 LuxFr	500	92	93	0	+0⅛	10.88
Eurofima 10⅛ 87 LuxFr	500	94⅝	95⅝	+0⅛	−0⅛	11.59
EIB 9⅛ 88 LuxFr	600	91⅝	92⅝	+0⅛	+0⅛	11.93
Volvo 9⅛ 87 LuxFr	500	87⅝	88⅝	0	−0⅛	12.44

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish Bank 5⅛ 87	0⅛	99⅛	100	2/7	16⅛	16.67
Bank of Montreal 5⅛ 90	0⅛	99⅝	100⅛	18/8	19⅝	19.48
Bank of Tokyo 5⅛ 88	0⅛	99⅝	99⅝	25/4	18.31	19.51
BBL Int. 5 88	0⅛	99⅝	99⅝	20/5	16⅛	16.56
Bergen Bk. A/S 6 88	0⅛	†98⅝	98⅝	23/5	17⅛	17.32
BNP 5⅛ 88	0⅛	99⅝	99⅝	31/3	18.69	18.73
CNT 5⅛ 86	0⅛	99⅝	99⅝	16/4	13⅛	13.22
Christiania Bk. 5⅛ 91	0⅛	98⅝	98⅝	5/5	17⅛	18.04
Citicorp O/S F. 5⅛	0⅛	99⅝	99⅝	31/3	16.81	16.92
C. Itoh 5⅛ 87	0⅛	99⅝	99⅝	18/3	12⅝	12.94
Co-operative Bk. 5 88	0⅛	97⅝	98⅝	16/4	15⅛	15.56
Den Norske Credit 6 90	0⅛	98	99	5/5	17⅝	17.87
Genfinance 5⅛ 87	0⅛	99	99⅝	30/4	15⅛	15.24
Giro und Bank 5⅛ 91	0⅛	99⅝	99⅝	23/2	20⅝	20.79
GZB 5⅛ 88	0⅛	99⅝	100	1/5	17⅝	17.82
Ind. Bank Japan 5⅛ 87	0⅛	99⅝	99⅝	15/4	13⅛	13.43
Ind. Bank Japan 5⅛ 88	0⅛	99	99	8/4	13⅛	13.29
Lloyds Eurofin 8 90 £	0⅛	96⅝	96⅝	17/4	14⅝	14.93
Lloyds Eurofin 5⅛ 93	0⅛	99⅝	99⅝	4/6	17⅝	17.40
LTCB Japan 5⅛ 88	0⅛	100⅛	100⅛	13/8	20.19	20.06
Man. Hanov. O/S 5⅛ 94	0⅛	99⅝	99⅝	30/6	17	17.22
Midland Intl. Fin. 5⅛ 93	0⅛	99⅝	99⅝	3/6	17.19	17.32
Nacional Fin. 6⅛ 88	0⅛	99⅝	99⅝	25/7	17⅝	17.82
Nacional Fin. 5⅛ 88	0⅛	99⅝	99⅝	25/3	5⅝	5.58
Nat. West. 5⅛ 90	0⅛	99⅝	99⅝	1/4	13⅛	13.54
Nat. West. 5⅛ 92	0⅛	97⅝	98⅝	23/4	13.69	13.95
Nippon Credit 5⅛ 87	0⅛	99⅝	99⅝	6/5	17.44	17.48
Sparebanken 6 87	0⅛	99⅝	100⅛	19/5	18⅝	19.28
Standard Chart. 5⅛ 90	0⅛	99⅝	100⅛	3/9	17.08	17.08
Svenska Hndlsbk. 5 87	0⅛	99⅝	100⅛	15/7	17.81	17.81
Bq. Ex. d'Alg. 4⅛ 89 SF	0⅛	94⅝	91	18/8	7⅝	8.26

Average price changes... On day 0 on week +0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Bow Valley Inv. 8 95	4/81	23.12	95⅝	96⅝	+0⅛	26.65
Canon 6⅛ 95	1/81	929	110⅝	111⅝	+1⅛	7.28
Credit Suisse 4⅛ 93	10/79	1276	98⅝	98⅝	+0⅛	−5.02
Digicon Fin. 8⅛ 95	10/81	28.5	99⅝	101		14.85
Hanson O/S Fin. 9⅛ 95	1/81	1.52	106⅝	108	+0⅛	−3.21
Ina Overseas 8⅛ 2000	4/81	42	102⅝	103⅝	+1⅛	4.29
Inchcape Ltd. 8 95	2/81	4.68	93	94	+0⅛	1.86
Jaccs 7⅛ 95	11/80	585	130⅝	131⅝	+1⅛	1.99
Kotobukiya Co. 7 96	4/81	819	100⅝	101⅝	0	6.35
Marion Int. Fin. 8 95	12/80	25.25	89⅝	89⅝	−0⅛	62.07
Matsushita El. 7⅛ 95	11/80	590	103⅝	104⅝	+2⅝	9.12
MEPC 8⅛ 95	2/81	2.47	94⅝	95⅝	−0⅛	10.35
Niigata Eng. 7⅛ 95	1/81	327	109⅝	111	+1⅛	3.01
Nissho-Iwai Co. 6 96	10/80	388	93⅝	95⅝	+2	−1.63
Ricoh 6⅛ 95	8/80	604	112⅝	113⅝	+1⅛	1.60
Sumitomo M. Ind. 7 95	2/81	181	110⅝	111⅝	+1⅛	7.03
Swiss Bk. Cpn. 9⅛ 90	8/80	200	84⅝	85	0	14.79
Taylor Woodrow 8⅛ 90	1/81	4.34	95	96⅝		3.34
Transco Int. 8⅛ 95	2/81	56	98⅝	99⅝	+0⅛	26.38
Tricorp 8⅛ 95	12/80	31.25	†90	91⅝	−0⅛	11.76
Union Bk. Switz. 5 90	2/80	121.4	†82⅝	84⅝	0	−14.41
Fujitsu 5 84 DM	7/79	431.5	152⅝	120⅝	+0⅛	2.88
Sharp Cpn. 6⅛ 86 DM	9/80	586	138⅝	140⅝	0	−1.87
Uny Co. 6⅛ 86 DM	11/79	987.3	103⅝	104⅝	−0⅛	13.36

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the *mid-price; the amount issued is in millions of currency* units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Volvo and Dutch to hold talks on new car

By Charles Batchelor in Amsterdam

THE DUTCH Government will soon start detailed discussions with Volvo, the Swedish vehicle manufacturer, about plans by Volvo Car, its Dutch subsidiary, to develop a new model. The car, code-named the G1, will require the injection of more money into the loss-making Volvo Car by both the Dutch Government and Volvo.

The two sides will also discuss the size of their respective shareholdings in Volvo Car, according to the Economics Ministry. Volvo owns 55 per cent and the Dutch State the remainder.

When the Government increased its holding to 45 per cent from 25 per cent in 1978 as part of a Fl 200m ($86m) rescue plan, the agreement provided for a reversion to a 75:25 ratio after 1981 when, it was hoped, Volvo Car would be making profits. The company has, however, continued to suffer large losses.

The Dutch Government has already provided Fl 155m towards the cost of developing a new model to succeed the 340 range.

Plans for the new model will have no effect on Volvo Car's programme of capacity reductions. The company, formerly the car division of the Daf family concern, is engaged in shedding 1,200 of its 6,000 workforce. It is reducing capacity to 80,000 cars a year from 93,500 in an attempt to save Fl 85m annually.

The 340 model, a fairly expensive medium-sized saloon, has maintained its share of the shrinking European car market but has never attained sufficient production volume to make profits. The unions have called for Volvo Car to assemble Japanese cars or for the company to expand its co-operation agreement with Renault in order to increase production.

Bayer's U.S. earnings drop despite sales rise

BY KEVIN DONE IN FRANKFURT

BAYER, ONE of the "big three" West German chemicals groups, saw the turnover of its important U.S. subsidiaries increase by 14 per cent last year, to $2.4bn from $2.1bn in 1979, despite the recession in the U.S. chemicals market. Overall profits, however, were down.

Of the leading German chemicals groups, Bayer has expanded overseas most strongly, and about 70 per cent of its annual turnover is now outside West Germany. The U.S. accounts for nearly 15 per cent of the group's worldwide turnover of around DM 28bn ($13.3m). It has the largest U.S. sales of any of the German chemicals groups and ranks as the 15th largest chemicals concern in the U.S.

Capital spending at its largest U.S. takeover of the late 1970s, Miles Laboratories, the pharmaceuticals and diagnostics company, is beginning to pay off. Miles increased its net income last year to $7.43m compared with $2.41m in 1979.

Mr. Theodor Heinrichs, Miles's chief executive, says the company has good prospects for further growth. Capital expenditure in the company last year was a record $62.8m, while research and development spending rose to $45m.

Bayer's other pharmaceuticals subsidiary in the U.S., Cutter Laboratories, had a more difficult year, suffering particularly from stiff competition in the hospital market. Its net income dropped to $2.9m from $5.8m in 1979.

Bayer's biggest U.S. subsidiary, Mobay Chemical Corporation, founded in the early 1950s in co-operation with Monsanto of the U.S., boosted turnover by 12 per cent, to $1.07bn from $955m. Sales were hit by the recession in the second and third quarters, particularly in the housing and automobile industries, and pre-tax profits slumped 36 per cent, to $63.2m from $98.1m.

The drop in U.S. profits is sure to be reflected in Bayer group results when they are announced in the next few weeks. In the first nine months of 1980 group pre-tax profits were down by 9.9 per cent to DM 1.06bn, but in the third quarter profits were down 62.6 per cent compared with the same quarter in 1979.

Mobay's profits were helped in 1980 by a $12m gain from the sale of property in California. Capital spending at Mobay jumped to $220m last year from $148.5m in 1979 and forms an important part of Bayer's $1bn five-year U.S. capital spending programme.

Karstadt lifts Neckermann stake

BY OUR FRANKFURT STAFF

KARSTADT, West Germany's largest department store group, now controls around 90 per cent of the loss-making Neckermann mail order and travel company as a result of its offer to buy out small shareholders.

The company's move to increase its stake in Neckermann was part of a concerted financial rescue package put together earlier this year.

Karstadt became the majority shareholder in Neckermann, holding about 51.2 per cent of the shares, after a rescue move in 1976.

Last year Neckermann ran up a DM 65m ($30.8m) loss after a particularly poor year in the travel market. With its reserves virtually exhausted, the company had to resort to a capital write-down, which halved its nominal equity of DM 137.4m.

The nominal equity is being restored to DM 137.4m with a one-for-one share issue at a price of DM 100 per nominal DM 50 share. Karstadt has given small shareholders a chance of selling at DM 82.50 per share—the shares were trading at around DM 65 before the offer—having warned that dividend payments were unlikely in the foreseeable future.

It said yesterday that it would have to pay around DM 85m for the extra 39 per cent of the Neckermann shares it has now been offered.

Karstadt paid around DM 180m in 1976 for its initial stake in Neckermann, and has since spent around DM 160m in refurbishing the old Neckermann stores, many of which have been assimilated into the Karstadt chain of department stores. In total its engagement in Neckermann has now cost around DM 500m.

Loss for Swedish forest group

BY WILLIAM DULLFORCE, NORDIC EDITOR, IN STOCKHOLM

SÖDRA SKÖGSÄGARNA, the south Swedish forest owners company, slumped to a pre-tax loss of SKr 107m ($23m) in 1980, a SKr 134m reversal from the profit shown in the previous year. Group sales rose by 10 per cent to SKr 3.2bn ($700m), according to the preliminary figures.

The result is in line with the forecast made last October and has been heavily affected by depreciation and interest charges on the large new pulp mill at Monsteraas, which reached full output during the year. Restructuring costs have also held back earnings.

The Swedish state took a 40 per cent share in Södra in 1979. Several mills have been closed or sold since and employment within the group has been reduced by more than 1,500.

Net extraordinary income of SKr 54m reduced the 1980 loss to SKr 53m pre-tax. Liquid assets available at the end of the year amounted to SKr 134m against SKr 335m a year earlier.

Mr. Göran Ekelund, the managing director, said the group's 1981 performance will again be affected by restructuring costs, although the market for its main product, bleached sulphate pulp, remained good.

Wessanen strongly ahead

By Our Amsterdam Correspondent

WESSANEN, the Dutch foodstuffs group, sharply increased profits on slightly lower turnover during 1980 and proposes paying an unchanged dividend.

Net profit rose 33 per cent to Fl 17.1m ($7m) after falling 29 per cent the year before. Turnover fell 4 per cent to Fl 2.51bn ($1.1bn) after rising 6 per cent in 1979.

Wessanen will pay a final cash dividend of Fl 3 giving an unchanged total payment of Fl 4.60 per share. The company maintained its dividend in 1979 despite the profits fall in that year.

The foodstuffs group has sharply reduced the extent of its milk substitute activities and has pulled out of cocoa processing and trading. It sold a 51 per cent share in Wessanen Cocao to the UK commodity trader and food merchant, S and W Berisford, last year.

Dow Banking shows gain

BY JOHN WICKS IN ZURICH

DOW BANKING Corporation, the Swiss-based merchant bank, is to pay an unchanged dividend of 9 per cent on increased share capital for last year, after a rise in net profits to SwFr 13m ($6.79m) from SwFr 11.8m. The Bank's balance-sheet total rose by 10 per cent in 1980 to SwFr 1.94bn.

Shares of Dow Banking, which is owned by Dow Chemical of the U.S. and is the biggest U.S.-owned bank in Switzerland, were listed on the Zurich Bourse for the first time last week. A public placing of 60,000 shares had been successfully carried out last November by a banking consortium led by the Zurich Cantonal Bank.

After this issue, the stake of Dow Chemical Company in Dow Banking dropped to about 75 per cent. According to the bank's report, it is intended to reduce the American group's share by more new issues.

Last year, Dow Banking took over Dow Finance Corporation, the Hong Kong-based company, from the chemical group, and obtained permission to open a branch in Miami. The opening of a representative office is planned.

IHC Inter advances

By Our Amsterdam Correspondent

IHC INTER, the holding company with a majority stake in the specialised shipbuilder IHC Inc., has announced increases in both profits and in the order books of its production companies in 1980.

Net profit of IHC Inter, which has a 60 per cent stake in the Swiss-registered manufacturer of offshore terminals, IHC Inc, rose 18 per cent to Fl 12.2m ($5m). Group subsidiaries increased their order portfolios by 25 per cent to Fl 302m.

Norcem passes dividend after sharp fall in profits

BY FAY GJESTER IN OSLO

NORCEM, the Norwegian producer of cement and building materials, is passing its dividend for 1980 after a sharp fall in profits despite increased turnover.

Detailed accounts for 1980 have not yet been published but turnover is estimated at about NKr 2.6bn ($481m) compared with NKr 2.4bn in 1979. The pre-tax result for 1980 will be "a very small profit" compared with earnings of NKr 40m in 1979.

Norcem's board recently decided to cut annual cement output by about 25 per cent to 1.6m tonnes, just enough to meet Norway's domestic needs. Exports of cement are to be stopped as they are no longer profitable because of high Norwegian production costs and steadily rising oil prices. The cuts will affect several hundred jobs at the concern's cement plants in three Norwegian towns.

Meanwhile, another Norwegian concern, Elkem, has decided to pay an unchanged 12 per cent dividend for 1980, despite a fall in pre-tax profits to NKr 178m from NKr 262m a year earlier. Elkem, with interest in metals, mining and manufacturing, reported turnover of NKr 3.96bn last year, including exports of NKr 1.98bn, compared with NKr 3.57bn.

It says earnings were high and production capacity well utilised in the first half of 1980 but the latter half of the year brought falling prices and poor demand.

● Norsk Hydro, the Norwegian industrial and energy concern, is to buy out its partner in Scanbenzin, which owns a chain of petrol stations in Denmark. No price has been revealed for the deal.

Scanbenzin has been jointly owned by the Swedish Nyas-Johnson concern and Norsk Hydro Olie, Hydro's Danish oil products marketing subsidiary. Since it was founded 2½ years ago the company has expanded its network of petrol stations in Denmark from 60 to 130. They are supplied by Norsk Hydro from the refinery at Mongstad in western Norway, which is owned jointly with Statoil, the Norwegian state oil company.

After the takeover Norsk Hydro Olie's total annual turnover will be about DKr 1.5bn ($217m), of which petrol sales will account for DKr 400m.

Norwegian Boveri growth

BY OUR OSLO CORRESPONDENT

NORSK ELEKTRISK and Brown Boveri (NEBB), the Norwegian subsidiary of the Swiss Brown Boveri concern, saw turnover last year rise by 14 per cent to NKr 1.04bn, passing NKr 1bn for the first time. Exports totalled NKr 162m, up from NKr 143m. Dividend is being increased to 12 per cent (the maximum permitted) from 10 per cent.

The company, which makes a wide range of goods from electric locomotives and generators to electric fittings for the building industry, more than doubled pre-tax profits to NKr 40.1m, compared with NKr 15m, in 1979. NEBB's Norwegian subsidiaries saw profits rise from NKr 400,000 to NKr 6.1m, on turnover of NKr 234m.

NEBB plans to increase share capital by NKr 15m to NKr 60m through a one-for-three rights issue at par.

S. African clothing companies to link

By Jim Jones in Johannesburg

TWO MAJOR South African clothing manufacturers, Seardel Investment Corporation, and Dubin Investments, are planning to merge to form a diversified product group with an expected turnover of more than R260m ($329m) for the year to June 30, 1982.

Holders of the 10.2m Dubin ordinary shares on issue are being offered the equivalent of R160 for every 100 Dubin shares held. This will be made up of six Seardel ordinary shares of 50 cents par value at an issue price of 700 cents each; 16 fully paid convertible cumulative preference shares of 50 cents par value in Seardel at an issue price of 700 cents each; and R6 in cash.

Dubin shareholders may elect to receive R112 cash in lieu of the 16 concertibles, with the option being underwritten by Guardian Liberty Investment Corporation.

Seardel sees a broadening of its product base as a major benefit of the merger. It reported turnover of R95.2m for the six months to December 1980. The company concentrates its clothing activities on the manufacture of women's and children's wear, and has diversified into consumer electronics and toys.

Dubin, which had a turnover of R67.5m in 1980, is primarily involved in the manufacture of men's clothing. It has diversified into packaging, consumer appliances, and a computer bureau. Both companies depend to a significant extent on export sales.

Dubin shares were traded at 150 cents and Seardel shares at 690 cents in Johannesburg on Monday.

Petrochemical downturn hits Mitsubishi Chemical

BY YOKO SHIBATA IN TOKYO

MITSUBISHI Chemical, Japan's largest chemical company, reported slightly lower than expected operating profits for the year ended January 31, 1981, reflecting a slackening in the petrochemical market and the general recession.

Operating profits fell by 3.2 per cent to Y17.81bn ($85.7m). But net profits rose by 32.8 per cent to Y8.48bn, on sales of Y793.51bn ($3.82bn), up 20.5 per cent over the previous year.

The company's major profit earning division, carbon products, had a good year with sales up 31 per cent to account for 29 per cent of the total. This was helped by increased demand by steel companies and brisk exports. Sales of petrochemical products gained by 10.8 per cent to account for 11.6 per cent of the total. Fine chemical products (2-ethyl hexanol and engineering plastic) fared well, but sales of ethylene and polyethylene deteriorated due to a steep fall in demand. Sales of materials for synthetic fibre production slackened because of a fall in exports caused by the yen's appreciation.

Sales of industrial and agricultural materials gained by 21.7 per cent to account for 11.6 per cent of the total.

The company, which is known for its diversification policy, lifted sales by new businesses, including foodstuffs, medical and biochemical products, and housing materials by 38 per cent.

Strong earnings from the coal division could not compensate for a downturn in profits from the petrochemical side caused by a steep fall in demand and unfavourable market prices. The gain in net profits came from the sale of securities.

The company expects slightly higher earnings for the current year to January, 1982, with prospects of continuing firm demand for coke and a recovery in demand for petrochemical products in the second half. With this improvement in prospect, the company has increased the dividend by Y0.5 to pay Y5.5 to commemorate its 30th anniversary.

The company has increased capital spending to Y30bn, for the current fiscal year from Y20bn to expand capacity for the production of profitable cokes and to reinforce the profitable side of the synthetic fibre material business. Expenditure will be partly financed by a Y20bn issue of convertible debentures scheduled for April.

Woolworths Truworths merger details

By Our Johannesburg Correspondent

WOOLWORTHS HOLDINGS and Truworths, two South African retail chains, have announced merger details which, at the current Woolworths share price, values the Truworths group at R59.4m ($75.2m). Truworth has annual sales of around R160m.

Truworths has 1.01m ordinary shares in issue and shareholders are being offered R3,702 cash plus 330 Woolworths voting ordinary shares for every 100 Truworths held.

Woolworths' shares were quoted at 655 cents in Johannesburg yesterday. Shareholders in Truworths' controlling company, Bonmore, which has as its main asset 49.24 per cent of the Truworth ordinary capital, are to be offered R674 cash plus 55 Woolworths voting ordinary shares for every 200 Bonmore ordinary held.

Bonmore has 6m ordinary shares on issue while at present Woolworths has 9.45m voting ordinary shares on issue and 19.9m non-voting ordinary. A merger of the two companies would result in a group operating 438 stores, trading mainly in clothing.

In the six months to December 31, Truworths posted a pre-tax profit of R11.5m and a profit after tax of R6.6m. Turnover was R81m. In the year to June 1980, turnover was R118.5m, pre-tax profit R9.0m, and profit after tax R5.3m.

Woolworths had a turnover of R108.4m, in the 26 weeks to November 29, 1980, a pre-tax profit of R14.9m and a profit after tax of R8.6m. In the year to May 1980, turnover was R193.6m, pre-tax profit R30.5m and profit after tax R18.3m.

Union Bank of Israel ahead

BY L. DANIEL IN TEL AVIV

UNION BANK OF ISRAEL, the largest commercial bank in the Bank Leumi group and the main instrument for financing Israel's diamond trade, has reported net profits for 1980 of Sh 55.7m ($6.5m), a gain of 252 per cent compared with 1979. The Consumer Price Index rose by 132 per cent in 1980 and profits rose despite a slow-down in the diamond trade.

The consolidated balance sheet reached Sh 12.5bn, an increase of 145 per cent.

The bank intends to maintain the dividend total at 18 per cent, including the previously paid 6.5 per cent, and to distribute bonus shares at the rate of 75 per cent, against 35 per cent

● Israel General Bank, the chairman of which is Baron Edmond de Rothschild, reports that growth in net profit for 1980 exceeded inflation by some 20 per cent, having risen by 153 per cent to Sh 8.3m ($0.97m), while its balance sheet total increased by 131 per cent to Sh 1.4bn ($163m).

Two cash dividends of 10 per cent and 25 per cent were distributed in June and December 1980 compared with a total in 1979 of 20 per cent. The bank will also distribute bonus shares at the rate of 25 per cent on top of the 20 per cent distributed in June 1980, which were eligible for the December cash dividend. The bonus share distribution for 1979 was 30 per cent.

In contrast to other commercial banks, General Bank does not have savings schemes, does not extend loans to the government nor deposit funds with the Treasury. These items account for 40 to 50 per cent of the balance sheets of other banks. General Bank's activities include trading in shares, foreign exchange business, financing of documentary credits, and dealings in gold.

Malaysian banks show growth

BY WONG SULONG IN KUALA LUMPUR

BANK BUMIPUTRA, Malaysia's largest bank, has reported another successful year, with pre-tax profit in 1980 rising 65 per cent to 50.8m ringgit (U.S.$27.6m), and net profit increasing by a similar percentage to S$25.3m ringgit.

The bank said that during December, its authorised capital was increased from 200m ringgit to 500m ringgit, while its paid-up capital was raised from 100m ringgit to 272m ringgit. With this increase in its resources, the bank said it was poised to play a greater role in the Malaysian economy.

Total deposits of the bank rose by 53 per cent to 8.56bn ringgit, while total loans increased by 71 per cent to 3.86bn ringgit. Assets were up 56 per cent to 9.5bn ringgit.

* * *

ARAB MALAYSIAN Development Bank, Malaysia's largest merchant bank, lifted pretax profit by 59 per cent to 8.1m ringgit ($3.5m) in 1980.

It was an active year for the bank in arranging syndicated loans, mergers, and participation in the market for bankers acceptances and negotiable certificates of deposits.

It also issued the first 20m ringgit private sector bond quoted on the Malaysian stock exchange in June, and brought together Malaysian and Kuwaiti partners in the first major investment joint venture, the Malaysian Kuwaiti Investment Company, to which the bank is acting as financial adviser.

In January the profitable offshore branch in Bahrain was converted into a new subsidiary bank, the Arab Asian Bank EC. The new bank has a paid-up capital of $30m and is intended as the vehicle for the group's expansion in the Asia Pacific Region.

Arab Malaysian, which was set up five years ago, is 55 per cent owned by Malaysian Industrial Development Finance Berhad; 33 per cent by Arab Investments for Asia of Kuwait; and 12 per cent by the Saudi National Commercial Bank.

Jack Chia in acquisition

By Georgie Lee in Singapore

JACK CHIA-MPH, a widely diversified Singapore-based group, has acquired an appreciable stake in the major Singapore electrical appliances manufacturing concern, Acma Electrical Industries.

Jack Chia disclosed that it had accumulated 10.36 per cent of Acma's issued capital of S$12.81m (US$6.1m) through a wholly-owned subsidiary, Tai Pan Enterprises.

Its associate company, Jack Chia Enterprises, also holds almost 5 per cent of Acma's capital.

Rapid expansion helps Hang Lung Developments

BY ADRIAN BOVEN IN HONG KONG

HANG LUNG Developments, one of Hong Kong's largest property development companies, has reported profits for the six months to December 31 of HK$105.98m (US$20m), some 113 per cent up from the HK$50.15m in the same period of 1979. An interim dividend of 20 cents a share is declared, 50 per cent up from an adjusted 13.3 cents in 1979.

Mr. Chan Tseng Hsi, the chairman, attributed the improvement to the group's rapid expansion, inclduding the purchase of a majority interest in Amoy Canning late last year. He describes an almost threefold increase, to HK$20.27m, in interest and administrative expenses during the period as normal for growing companies. But he said that continuing high interest rates would result in a weaker market this year, and that the group had therefore decided to become more selective in its development projects.

Restraint at Zimbabwe Newspapers

By Our Salisbury Correspondent

ZIMBABWE NEWSPAPERS, the control of which was taken over by the state-owned Mass Media Trust earlier this year, has warned shareholders that lower profits and a "conservative dividends policy" are likely.

In the most detailed statement of the group's financial position made since the Mass Media Trust purchased the 40 per cent controlling interest in the monopoly newspaper group from the Argus Company in South Africa, the Zimpapers chairman, Mr. George Capon, said that trading in 1981 had been "extremely disappointing."

Advertising bookings were down because retailers and manufacturers did not have the stock on hand to sell and "it appears that this situation may prevail for some time as currency allocations continue to be restricted."

Mr. Capon said that although a record profit was earned last year, it had been necessary to seek an increase in prices from April 1, 1981, due to the sharp increase in costs, including newsprint and wages.

Because of the need to modernise and re-equip, dividend policy was likely to be conservative over the next two or three years, he warned.

Commenting on the change in control, Mr. Capon said that every effort was being made to retain experienced and skilled staff in a situation which had led to a lowering of morale

Three black editors had replaced whites at the group's main newspapers, and the Board membership was likely to be augmented as well.

WORLD STOCK MARKETS

Wall St. mixed at mid-session

STOCKS ON Wall Street made a mixed showing at mid-session yesterday after active but much reduced trading.

There was little response to news that two major banks cut their Prime Rate to 17½ per cent from 18, joining Chemical Bank, which moved to the 17½ per cent level on Friday.

Analysts said investors were taking profits on last week's gains even though they expect the Prime Rate to further decline, possibly this week. Natural Resource companies were among those hardest hit after sharp rises on take-over news last week.

The Dow Jones Industrial Average, *up 21 points last week*, was a marginal 0.64 easier at 985.13 at 1 pm. The NYSE All Common Index added 2 cents at $76.84, while gains held a slight lead over declines. Turnover amounted to 30.28m shares, well below last Friday's heavy 1 pm figure of 51.70m.

Among Natural Resources issues, **Phelps Dodge** lost 1⅜ to $41⅞, **Asarco** 1¼ to $41⅞ and **Newmont Mining** $2 to $55¼. But Precious Metal shares rose on higher Bullion prices. **Asa** gained 1½ to $49¼, **Dome Mines** *$2 to $82*, ***Homestake*** *⅞ to $55¾* and **Campbell Red Lake** ⅞ to $51⅞.

Gulf Oil shed ⅜ to $36⅜. It announced plans to buy Kemmerer Coal from the privately held Kemmerer for $325m cash.

Standard Oil of California eased ⅛ to $41½ and **Conoco** ⅝ to $55⅝. Conoco is to exchange some of its coal lands for some of Socal's oil shale properties. Bache, up ⅝ at $25, has bought a precious metal smelter for an undisclosed amount of Bache *stock*.

THE AMERICAN SE Market Value Index was 0.77 higher at 345.18 at 1 pm following turnover of 3.35m shares (4.64m).

Closing prices for North America were not available for this edition.

Canada

After the recent good rally, markets were mixed to firmer at mid-day yesterday after a fair business. The Toronto Composite index edged up 0.3 to 2,245.6 at noon, while Golds rose 62.0 to 4,117.1 and Metals and Minerals 8.7 to 2,355.6, but Oil and Gas receded 22.4 to 4,219.8. In Montreal, Papers added 2.50 at 269.25 but Utilities declined 1.11 to 258.62.

Tokyo

Continuing a sharp recovery which took place to Saturday's half-day session, share prices generally advanced yesterday, although trading was only moderate. After the market's fall last week, sentiment was boosted by an easing of margin trade restrictions and anticipation that the Government will adopt a package of measures today to stimulate the economy. There were also expectations of a cut in the Bank of Japan's Official Discount Rate.

With high-priced Light Electricals and some other Blue Chips performing strongly, this helped to push the Nikkei-Dow Jones Average, after a rally of 89.99 on Saturday, 77.82 higher to *7,124.33. The Tokyo SE index* followed a Saturday gain of 4.10 with a further rise of 4.09 to 510.99.

Rises outpaced declines on the First Market section by 467 to 175 after volume of 250m shares, compared with last Friday's light 180m and 150m traded in Saturday's short session.

Market sources said that most transactions yesterday were done in the morning session. In the afternoon, trading became slow in reaction to the sudden gains in the past two sessions. *Active buying by Investment* Trusts occurred in Blue Chips, but foreign investors, usually buyers of stocks, became mainly on the selling side.

Among Light Electricals, Sony climbed Y120 to Y3,780, TDK Electronics Y100 to Y3,3990, Victor Y100 to Y2,860 and Pioneer Electronic Y50 to Y3,130.

Trading Houses, Oils, Precision Instruments, large-capital issues and Pharmaceuticals were among those favoured. Mitsubishi rose Y15 to Y667, Arabian Oil Y100 to Y3,200, Fuji Photo Film Y50 to Y1,190, Canon Y15 to Y540, Toshiba Y5 to Y235 and Mochida Pharmaceutical Y170 to Y1,950.

Australia

A stronger London Gold Bullion price and some sympathetic rises in base metals on the Commodities market gave fuel to a further broadly-based rally on Australian markets yesterday.

The Australian All Ordinaries index moved ahead 12.3 more to *68.30, Metals and Minerals* 18.9 to 616.4, Oil and Gas 21.8 to 900.9 and All Industrials 4.9 to 701.2.

Share prices and trading tempo faltered a little when the local Gold traders showed a certain amount of caution. Most of the Gold leaders came off the top in second session dealings but second-liners held up well.

Leading Base Metal producers and the Mining Finance Houses lige CRA held on to their initial gains, with the exception of the Gold Fields Group, whose reorganisation plan came in for some adverse criticism over the weekend.

Take-over moves against Amax, Kennecott an St. Joe Minerals in the U.S. sem to have upgraded the Australian majors in the eyes of investors.

Coal Miners were generally better, and there were some good moves in the Oils.

Germany

Prices were mixed to higher in what brokers termed quiet and generally thin trading in the *absence of foreign investor* interest that sparked broad gains last week.

Major Chemical and Bank shares mainly improved, while most other sectors were mixed. The Commerzbank index rose 3.4 to 687.0.

Dresdner Bank added DM 1.70, while among Chemicals, BASF firmed DM 1.70 and Bayer DM 1.10.

However, most Machine Manufacturers lost ground, GHH shedding DM 1.30, Linde DM 2.50 and KHD DM 2.30. Brokers said general expectation of lower sales by West German machine makers contributed to the declines in this sector.

In the Domestic Bond market, Public Authority issues continued to firm, recording rises of up to 75 pfennigs. The Bundesbank sold DM 15.2m of paper after sales of DM 39.2m last Friday. Mark Eurobonds were well maintained, with Japanese Convertibles particularly strong.

Paris

French and Foreign stock prices showed no clear trend at the end of a session marked by its light volume. Market observers said the poor French labour statistics for February had been offset by the release of trade figures showing a narrowing of the deficit in February. Institutional investors remained on the sidelines.

Hong Kong

After easing afresh at the outset *yesterday*, share prices advanced to close mainly higher ono the day. However, trading was light, with activity restrained by the new local issues which call for final acceptances this week.

Together, the two issues call for HK$760m from investors, compared with last week's average daily turnover of HK$402.8m on the four stock exchanges.

Yesterday, total turnover was only HK$260.01m, against last Friday's HK$428.04m. The Hang Seng index, *down 24 points on* Friday, recouped 21.11 at 1,344.37.

Johannesburg

Gold shares improved with the Bullion price in quiet trading, with small two-way overseas interest seen.

NEW YORK

CANADA

Stock	Mar. 13	Mar. 12
Abitibi	32	32
Agnico Eagle	13½	13
Alcan Alumin	44⅝	44
Algoma Steel	45½	46
Asbestos	30½	32½

BELGIUM (continued)

Mar. 16	Price Frs.	+ or —
Petrofina	4,720	+65
Royale Belge	4,300	+30
Soc Gen Banq.	2,195	—5
Soc Gen Belge	1,258	—24
Sofina	2,775	+115
Solvay	2,320	—65
Traction Elect.	2,200	+60

HOLLAND

Mar. 16	Price Fls.	+ or —
ACF Holding	75	+2.5
Ahold	75	+1.5
AKZO	19.9	+1.3
ABN	288	+2
AMEV	91.6	—0.2
AMRO	55	—0.2
Bredero Cert.	203.2	—0.1

AUSTRALIA

Mar. 16	Price Aust. $	+ or —
ANZ Group	4.6	+0.05
Acrow Aust	1.15	
Allstate Expl	1.2	+0.05
Ampol Pet	1.76	
Assoc. Pulp Pap.	2.30	
Aud'nco	0.19	
Aust. Cons. Ind.	2.03	—0.01
Aust. Guarant.	1.62	

JAPAN (continued)

Mar. 16	Price Yen	+ or —
Kubota	393	+2
Kumgai	425	+2
Kyoto Ceramic	3,380	—20
Lion	448	+3
Maeda Cons.	652	+9
Makita	925	+6
Marubeni	372	+6
Marudai	705	—5

DENMARK

FRANCE

ITALY

NORWAY

HONG KONG

SWEDEN

GERMANY

JAPAN

SINGAPORE

SOUTH AFRICA

AUSTRIA

SWITZERLAND

BELGIUM/LUXEMBOURG

BRAZIL

Indices

NEW YORK —DOW JONES

STANDARD AND POORS

N.Y.S.E. ALL COMMON

MONTREAL

NEW YORK ACTIVE STOCKS

INTERNATIONAL COMPANIES and FINANCE

UK cattle market weaker

By Richard Mooney

THE RISE in British cattle prices was halted last week. In spite of a continued decline in sales, average prices at livestock auctions fell 1.34p to 83.73p a kilo in England, 0.70p to 87.28p in Wales, and 2.45p to 87.32p in Scotland, according to the Meat and Livestock Commission (MLC). The Commission attributed the falls to poor demand because of the economic recession.

The overall UK average was calculated at 87.79p, down 1.34p from the previous week. But this was still 1.19p above the target price set by the EEC and consequently no variable beef premium was payable for the third consecutive week.

The earlier rise was still working through to the wholesale and retail levels, however, and shops raised beef prices 2-5p a lb.

U.S. heating oil futures

TRADING volume on the New York heating oil futures market reached further record levels last week, the Mercantile Exchange announced.

Total contracts traded so far this year have already topped 147,000, more than 50 per cent of the volume for the whole of 1980.

In view of the increased interest and the forthcoming launch of the London gas oil futures market on April 6, details of the New York heating oil closing prices are being included daily on the U.S. markets sector on this page.

Unfortunately the market closes too late in New York to be in time for inclusion in the first edition of the Financial Times.

Sugar beet contracts

THE British Sugar Corporation has signed contracts with growers covering 212,000 hectares of beet plantings for the 1981-82 season. This compares with plantings of between 210,000 and 212,000 hectares for the 1980-81 crop which produced just over 1.1m tonnes of refined sugar.

World sugar prices declined further yesterday with the August position on the London futures market slipping to £224 before closing £3.375 down at £229.75 a tonne.

Congress welcomes U.S. stockpile purchase plan

BY DAVID BUCHAN IN WASHINGTON

PRESIDENT REAGAN'S decision to buy up $100m of key minerals in the coming year as a first step to rebuilding the U.S. defence material stockpile was yesterday welcomed on Capitol Hill.

Sales from, and purchases for, the U.S. stockpile must get Congressional approval. But Mr. Reagan's move to start purchases for the first time in about 20 years was in fact approved by Congress last year under the Carter Administration.

The new Administration's emphasis on strategic metals and minerals—evident in disparate moves such as U.S. delay on the law of the Sea Conference, the President's friendly words about South Africa, and the opening up of more federal land to more mining—seems to have broad Congressional support.

The Federal Emergency Management Agency (FEMA) is the body which judges which minerals or materials should be sold from or bought for the stockpile—the General Services Administration (GSA) is the agent of such transactions. The current yardstick FEMA uses is whether the U.S. has enough, or too much, of a given material to last during a three-year emergency.

FEMA officials say future purchases will include manganese, bauxite, platinum group metals, tantalum, titanium vanadium and nickel. For all of these metals or minerals, the U.S. is very dependent on imports and has relatively low or zero domestic production.

So far the only specific purchase the U.S. Administration has announced it wants to make, is to buy 1.2m lbs of cobalt. The GSA is shortly expected to put this out to competitive tender.

The urgency on cobalt, officials say, is that it is vital in jet engine manufacture, at a time when the Reagan Administration's military spending plans are straining the U.S. defence industry capacity. The U.S. is wholly dependent on imports and the present cobalt stockpile is less than half its desired level.

The U.S. at present has 41m pounds of cobalt stocked but believes it needs as much as 85m lbs for strategic safety's sake. That is a big goal, considering that the U.S. consumes one third of world production every year.

Our Commodities Editor writes: There was only a muted reaction on the London metal markets to the stockpile announcement. The free market price for cobalt firmed by about $1 to $18 a lb, but dealers said this was mainly on sentiment. They were at pains to point out that the quantity (1.2m lbs) planned to be bought by the stockpile by June was less than 550 tonnes out of total annual world production of some 25,000 tonnes. Even an outright block purchase, of the whole amount would therefore, not have much impact when there is known to be plenty surplus cobalt available. It was this build up of sizeable stocks that forced Zaire, the world's biggest cobalt producer, to cut its official producer price last month from $25 to $20 a lb.

Demand for cobalt has been badly hit by the general industrial recession, including aircraft manufacture where jet engines are an important user of cobalt. In addition, the high prices and scarcity of cobalt, in recent years has encouraged substitution of cobalt where possible in magnets and ceramics as well as stimulating greater recycling of secondary supplies.

Other materials mentioned for purchase by the stockpile, are also in reasonable plentiful supply at present because of the recession. In any case purchases are to be spread out over several years to avoid market disruption. The same policy will apply to the proposed sale of surplus materials, although it is thought there could be considerable opposition in Congress to selling any silver, and so far the stockpile has only sold 140 tons of the 30,000 tons of tin due to be sold over a three-year period starting last July.

Metal prices under pressure

BY JOHN EDWARDS, COMMODITIES EDITOR

LONDON metal markets came under pressure yesterday from the rise in the value of sterling in the afternoon, which wiped out most of the early gains. Indeed all the base metals on the London Metal Exchange closed lower, with the exception of copper that ended the day marginally higher after moving strongly ahead in the morning.

Cash copper wirebars closed only £5 up at £893 a tonne. The market was boosted in early trading by the firm trend in New York on Friday night.

Workers at the giant Cuajone copper mine in Peru started a 48-hour strike yesterday, while on Friday the Peruvian state mining company was forced to declare *force majeure* on shipments because of lack of fuel and transport difficulties.

However copper stocks held in LME warehouses last week rose by 1,375 tonnes raising total holdings to 119,975 tonnes.

There was an unexpectedly big decline in lead warehouse stocks which fell by 4,750 to 55,925 tonnes. But this was offset by confirmation that the workers at the Broken Hill mining complex in Australia had decided to end the strike that started there on February 19.

Zimbabwe to lift tobacco output

ZIMBABWE will increase its tobacco output 29 per cent in 1981-82 to 90m kilos, following the sharp cutback in production quotas imposed last year for the current growing season.

The increased production target announced at the weekend follows a period of successful export sales which have sharply reduced the country's stockpile to more realistic levels.

Last year's sales were a great disappointment, because even though economic sanctions had been lifted, demand was weak and prices lower than in 1979.

The very poor U.S. crop last year led to renewed demand for the Zimbabwean leaf with the result that the stockpile has fallen faster than anticipated.

Reuter

Coffee released for export

SO FAR 12.27m bags (60 kilos each) has been released for export from International Coffee Agreement (ICA) member countries in the third quarter (April-June) of the International Coffee Organisation (ICO) announced yesterday.

Unless prices fall sharply another 1.4m bags will be released later in the quarter, it added. This depends on the ICO 20-day moving average price staying above the next trigger point of 115 cent a pound. At present it stands at over 119c. If the average goes above 135c an extra 320,000 bags will be released automatically.

Durin gthe first an dsecond quarters exporting members of the ICA were allowed to export 13.22m and 13.38m bags respectively.

World farm trade record

ROME — World trade in agriculture set a record of about $262bn in 1979, the Food and Agriculture Organisation of the United Nations (FAO) said at the weekend.

The FAO commodity review and outlook 1980-81, a yearly analysis of world agricultural trade, including fisheries and forestry, said the two years have been a period of instability with highly volatile prices for many commodities and a weakened demand for agricultural products, especially of raw materials.

This volatility was caused by changes in consumer demand, the global economic recession, the weather, protectionism, international instability, and speculation, the review said.

In a foreword of the review, the Director-General of FAO, Edouard Saouma, said he is concerned about the worsening of the terms of trade for some of the main exports of developing countries.

Ten years ago the export proceeds from one ton of tea could finance the import of 17 tons of fertiliser, Mr. Saouma said. Today it only covers the cost of eight tons of imported fertiliser and tea prices are continuing to fall in real terms.

Likewise, one ton of banana exports covered the cost of one ton of imported steel 10 years ago. By 1979, over two tons of bananas had to be sold to buy the tone of steel, he said.

The review said the 1979 trade record represented a 13 per cent increase over 1978, and was four times the 1970 level, with further increases likely in 1980 and 1981.

Even so, the increase was below average for the past decade and was more apparent than real because of inflation.

The share of agriculture in world trade as a whole continued to diminish in 1979, dropping to 16 per cent from 18 per cent previously.

At the same time, the purchasing power of agricultural export earnings by developing countries remained at the 1978 level as a result of inflation, which threatened a serious erosion of purchasing power in 1980 and 1981, the review said.

While the export earnings of developed countries rose by 17 per cent in 1979, those of the developing countries increased at only half that rate and their purchasing power as regards imported manufactures fell by an average of 6 per cent compared with 1978.

The volume of the agricultural exports of these countries rose by only 2.5 per cent—little more than a third of the increase realised by the developed countries.

AP-Dow Jones

MEXICAN AGRICULTURE

Hungry mouths in spite of oil riches

BY WILLIAM CHISLETT IN MEXICO CITY

MEXICO'S deepening agricultural crisis was recently thrown into sharp relief by a cartoon in a well known magazine. The cartoon showed an impoverished peasant sucking oil from a soft drinks-shaped can with the name Pemex, the Mexican state oil concern, on the top and Conasupo, the basic food agency, at the bottom.

Mexico is very rich in oil, with petrol selling at 25p a gallon, compared with 13p for a can of Pepsi Cola. The food situation is deteriorating because of falling production which is necessitating massive imports.

Mexico spent $2.4bn last year on imports of agricultural products (for human and animal consumption) from the U.S., which accounts for the great bulk of sales.

This was more than double the 1979 figure and represented 25 per cent of the 1980 earnings from oil exports.

The country now has the money to increase food imports and the temptation therefore arises to let the problem get worse and just buy abroad.

The Mexican Government, however, has become very alarmed by the deteriorating situation and to recitfy it recently set in motion a far-reaching and controversial new agricultural law.

At the same time, more money, made available by the oil, is being channeled into the countryside.

Mexico's population growth rate of 3 per cent means there are 2m new mouths to feed a year. The gaping mouths of the hungry can be seen outside restaurants in Mexico City, where poor indians beg from those who have filled their bellies well.

Apart from the danger of civil strife from the hungry, the Government is also concerned at becoming the victim of the "food weapon."

Mexico is anxious to reduce its dependence upon its northern neighbour. This year Mexico could become the U.S.'s second largest agricultural customer, surpassing the Soviet Union, compared with the third greatest in 1980. In 1979, Mexico was the U.S.'s ninth biggest client.

Traditionally, Mexico reports an agricultural trade surplus, because of the high value of its coffee, vegetables and fruit exports. But last year the country had a deficit of $1.4bn with the U.S. compared with a surplus of $200m in 1979.

The focal point of the Government's strategy to achieve self-sufficiency is its new agricultural development law, approved at the end of 1980 after much heated debate.

The controversy stems from the fact that for the first time, since the 1910 Mexican Revolution, private farmers can link up with peasants who run "ejidos," the myriad smallholdings owned by the State and operated on an individual or co-operative basis.

About half of Mexico's arable land is in the form of ejidos, which are a cornerstone of Mexican revolutionary tradition. But they only produce about one third of total food output.

The ejidos were created after the revolution when the large estates were broken up, but they were established in the poorest rainfed areas, and the private sector has since regained its dominance.

The new law effectively says that the ejidos are holding back agricultural development. A premium is now placed on efficiency and production and not just land ownership *per se*.

Land, which is left idle, can now be confiscated. Private farmers, who improve the quality of their land, do not run such a big risk of expropriation and those farmers who form associations on ejidos, and follow Government programmes, are guaranteed a minimum net income equal to the average historical agricultural income.

The interests of both peasants and private farmers are protected by the new law. The ejido farmers are guaranteed employment as well as a share in the profits. Private farmers are assured in the contract between both sides, monitored by the government, of a long enough period to recover any capital improvements made on the ejido.

The government's hope is that these joint ventures will bring an influx of technology and capital into the depressed ejido sector.

Ejido farmers, on their own, find it very difficult to obtain private credit since they can offer no collateral.

The law could eventually change the rural power structure in Mexico by strengthening the private sector.

But some observers doubt whether the new law will boost production, since they believe that most farmers will continue to concentrate their efforts in the irrigated areas, rather than link up with ejido farmers in poor areas at the mercy of the rain.

Meanwhile, the government recently agreed a $250m loan with the World Bank to improve productivity in rainfed areas.

The money will go to projects in areas where families have annual incomes of less than $1,500 a year or $280 per head.

Agriculture is without a doubt, Mexico's Achilles Heel.

BRITISH COMMODITY MARKETS

BASE METALS

COPPER — Firmer on the London Metal Exchange. Forward metal opened at £942 and moved up to £947 by the afternoon rings following the rise in gold coupled with a strong opening on Comex. However, this level attracted profit-taking which, in addition to the rise in sterling, pared the price to £937 before a close on the late kerb of £939. Turnover 27,000 tonnes.

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £894, 93.5, three months £945, 44, 44.5, 45, 45.5, 45, 44, 44.5. Cathodes £810, three months £833.34. Kerb: Wirebars, three months £944.5, 44. Afternoon: Wirebars, three months £947, 46.5, 47, 47.5, 47, 43, 43.5, 44. Kerb: Wirebars, three months £941, 40, 39, 38, 37, 37.5, 38, 37, 37.5, 38, 38.5.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	893.5	+11	892.5-3.5	+5
3 months	944.5-5	+11.5	943.5-4.5	+4.75
Settlem't	893.5	+11		
Cathodes				
Cash	819.5-20	+12.5	813-5	+3
3 months	833.4	+12	827-9	+5.5
Settlem't	820	+12		
U.S. Prod			*81.5-85	

TIN — Easier. Forward metal traded quietly around the £6,200 level throughout the morning but gave ground in afternoon trading as sterling moved up against the dollar, to close the late kerb at £6,180. Turnover 745 tonnes. Morning: Standard, £6,120, 6,100, 10, three months £6,220, 15, 6,200, 10, 6,200. Kerb: Standard, three months £6,200. Afternoon: Standard, three months £6,185. Kerb: Standard, three months £6,180.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	6120-30	+10	6090-5	-42.5
3 months	6190-200	-20	6180-2	-48.5
Settlem't	6130	+15		
Standard				
Cash	6120-30	+10	6090-5	-42.5
3 months	6190-200	-20	6180-2	-46.5
Settlem't	6130	+15		
Straits E.	$1830.31	+8.15		
New York				

LEAD — Lower on balance. After opening at £330 three months dipped to £327 on news of the strike settlement at Broken Hill in Australia. A strong rally developed in the rings, however, as the strength of gold and silver, coupled with the sizeable stocks decline lifted forward metal to £333. In the afternoon the rise in sterling encouraged U.S. selling and pared three months to £324 on the late kerb. Turnover 8,800 tonnes. Morning: Cash £326, 27, three months £332, 32.5. Kerb: three months £333, 32, 33. Afternoon: Cash £324, 21, three months £332, 31, 31.5, 31, 30.5, 30, 29, 28. Kerb: three months £327, 26, 25, 24, 23, 22, 23, 23.5, 24.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	327-8	+4	320-1.5	-4
3 months	332-3	+1	327-8	-3.25
Settlem't	328	+4		
U.S. Spot			*34	

ZINC — Little changed with forward metal moving in a £5 range prior to closing the late kerb at £351. Turnover 5,050 tonnes. Morning: Late April £348, three months £354, 54, 53.5, 53, 52.5. Afternoon: Three months £350.5, 51. Kerb: Three months £350, 51.

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	342-3	+1.25	340-1	-1.75
3 months	353-3.5	+1	350.5-1.5	-1
S'ment	343	+1.5		
Primw'ts			*41.5	

ALUMINIUM — Lower as the rise in sterling saw forward metal decline from £668 to £660 before closing the late kerb at £663. Turnover 6,800 tonnes.

Morning: Three months £667.5, 67, 66, 64, 65. Kerb: Three months £663, 64.5. Afternoon: Three months £662, 61.5, 61. Kerb: Three months £661, 60, 61, 62, 63.

Alumin'm	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Spot	655-.5	-2.25	648-50	-6.5
3 months	664.5-5	-2.75	660.5-1.5	-5.5

NICKEL — Moved narrowly with three months closing the late kerb at £2,805, having touched £2,820 and £2,785. Turnover 234 tonnes.

Morning: Three months £2,820. Afternoon: Three months £2,810, 05, 2,800, 2,790, 85. Kerb: Three months £2,800.

NICKEL	a.m. Official	+ or —	p.m. Unofficial	+ or —
Spot	2850-5	[illegible]	2600-5	-42.5
3 months	2815-20	-1.5	2785-90	-45

* Cents per pound. † $M per kilo. ‡ On previous unofficial close.

SILVER

Silver was fixed 10.35p an ounce higher for spot delivery in the London bullion market yesterday at 558.45p. U.S. equivalents of the fixing levels were: spot $12.47, up 32.7c; three-month $12.914, up 32.3c; six-month $13.291, up 31.3c; and 12-month $14.259, up 30.3c. The metal opened at 561-565p ($12.25-12.45) and closed at 549-553p ($12.3-12.5).

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	558.45p	+10.3	551.75p	-4.25
3 months	575.20p	+11.1	565.6p	-4.5
6 months	593.30p	+11.1		
12months	626.10p	+11.1		

LME—Turnover 111 (109) lots of 10,000 ounces. Morning: Three months 577, 76, 77, 78, 80, 77, 78. Kerbs: three months 575, 74, 73. Afternoon: three months 571, 70, 72, 73, 72.5, 69, 68, 70. Kerbs: three months 565, 66.

POTATOES

LONDON POTATO FUTURES — The market was exceptionally quiet and lacking direction, reports Coley and Harper. Closing prices: April 58.90 —10 (high 59.00, low 58.00); Nov. 57.80 unchanged (high 57.80, low 57.50); Feb. 67.00 +10 (high 67.00, low 67.00). Turnover: 10 (62) lots of 40 tonnes.

COCOA

In contrast to the active trading conditions of last week cocoa futures today moved within a narrow range closing at the lows of the day, some £12 *below* the levels of Friday evening, reports Gill and Duffus.

COCOA	Yes'rday's Close	+ or —	Business Done
March	881-82	—1.0	890-80
May	946-47	—12.0	958-45
July	965-66	—10.0	979-65
Sept.	981-82	—16.0	1000-982
Dec.	1006-07	—12.0	1019-06
March	1039-50	—8.0	1041-29
May	1047-48	—9.0	1056-48

Sales: 3,763 (8,835) lots of 10 tonnes.

ICCO Futures—Daily price for March 13: 97.88 (96.30): five-day average 95.54 (94.68).

COFFEE

Another quiet day on coffee saw values open slightly better but in dull conditions only a large self-traded volume offered a hint of activity, reports Drexel Burnham Lambert. Afternoon dealings tended easier as indifferent commission house and trade selling entered the market but volume was again poor and values rallied *quickly from the lows.*

COFFEE	Yesterday's Close	+ or —	Business Done
	£ per tonne		
March	1001-05	—5.5	1010-994
May	1021-22	—	1025-16
July	1030-32	—2.5	1037-29
Sept	1045-47	—3.0	1051-43
Nov	1050-51	—3.5	1056-48
Jan	1046-59	+2.0	—
March	1040-46	—3.0	1043

Sales: 1,711 (2,152) lots of 5 tonnes.

ICO Indicator prices for March 13 (U.S. cents per pound): Other Mild Arabicas 123.67 (122.67): Robustas ICA 1976 112.75 (112.25): ICA 1968 113.00 (112.50). Unwashed Arabicas unquoted. Comp. daily ICA 1968 unquoted.

GRAINS

	WHEAT		BARLEY	
Mnth	Yesterd'ys close	+ or —	Yesterday close	+ or —
Mar.	110.70	—0.10	97.30	+0.15
May	112.85	—0.85	99.55	......
July	116.50	—0.05	—	—
Sep	99.25	+0.15	94.35	+0.15
Nov	103.00	+0.20	98.05	+0.15
Jan	106.85	+0.15	101.85	+0.15

Business done—Wheat: Mar. 110.70-110.60, May 113.10-112.65, July 116.70-116.50, Sept. no trade, Nov. 103.00-102.90, Jan. no trade. Sales 135 lots of 100 tonnes. Barley: Mar. no trade, May 99.85-99.50, July no trade, Sept. 94.35-94.30, Nov. 98.05 one trade, Jan. 101.80 one trade. Sales 103 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Hard Winter 13½ per cent Mar. 105.25, April 105.50 transhipment East Coast sellers. English feed fob April 116 East Coast seller. Maize: French Mar./April 123.50 transhipment East Coast sellers. S. African Yellow Mar./April 87.00 seller. Barley: English feed fob April 103, May 103.75. May/June 103.50 sellers East Coast. Rest unquoted.

HGCA — Locational ex-farm spot prices. Other milling wheat: Eastern 111.00, E. Midlands 111.20. Feed barley: E. Midlands 98.70, N. East 98.00, Scotland 95.00. The UK Monetary Coefficient for the week beginning Monday, March 23, is expected to remain unchanged.

TEA AUCTION

LONDON TEA AUCTION — 49,880 packages were on offer in yesterday's auction. A fair demand prevailed. Assams again sold well with selected mediums and most dusts 2p-3p dearer. Bangladesh teas came to an improved market and colourly lines put on 2p-5p. East Africans opened dearer, particularly brighter types but closed slightly easier, apart from brokens which were strong throughout. Plainer African CTC's also lost ground as did the relatively few Mozambique orthodox invoices on offer. Ceylons again came in for strong demand, with brighter lines irregularly dearer, others fully firm. Quotations: Quality 118p a kilo (same) Medium 106p (105p); Plain 61p (63p).

RUBBER

The London physical market opened steadier, with little interest throughout the day, closing uncertain. Lewis and Peat reported an fob April price for No. RSS in Kuala Lumpur of 293.5 (292.0) cents a kg and SMR 20 at 261.5 (260.0) cents.

No 1. R.S.S.	Yest'r'ys close	Previous close	Business Done
Apr.	59.10-59.30	58.60-59.20	59.30
May	60.50-60.70	59.70-60.00	—
Apr-Jne	60.20-60.80	59.80-60.00	60.80-60.20
Jly-Sept	63.80-63.90	63.10-63.30	64.40-63.70
Oct-Dec	66.80-66.90	66.20-66.30	67.10-66.70
Jan-Mar	69.70-69.80	68.90-69.20	69.90-69.70
Apl-Jne	72.60-72.70	71.90-72.00	—
Jly-Sept	75.30-75.50	74.40-74.70	75.30-75.10
Oct-Dec	78.10-78.20	77.20-77.30	78.20-78.10

Sales: 432 (351) at 15 tonnes, 1 (same) at five tonnes. Physical closing prices (buyer) were: Spot 58.00p (57.50p), April 62.00p (61.25p), May 62.50p (62.00p).

SOYABEAN MEAL

The London market opened unchanged to slightly easier on lack of any fundamental news, reports T. G. Roddick. The market steadied on light commercial buying with prices staying within narrow trading ranges.

	Yest'rd'ys Close	+ or —	Business Done
	£ per tonne		
April	124.50-24.8	+0.75	125.00-24.30
June	125.80-25.9	+0.80	125.90-25.00
August	128.00-28.8	+1.00	128.00-27.50
October	130.20-30.5	+1.20	130.00-28.80
December	130.00-32.5	+0.75	—
February	131.00-34.0	+0.50	—
April	131.00-38.0	—0.25	—

SUGAR

LONDON DAILY PRICE—Raw sugar £228.00 (£241.00) a tonne for cif March-April-May shipments. White sugar daily price was £269.00 (£276.00).

The market opened some £3 below pre-weekend levels but there was a lack of follow-through and prices began *to recover. Gains of around £6 were* recorded before buying interest abated. The recovery was assisted by higher New York quotations following a decline of some 2 cents in the dollar against sterling, reports C. Czarnikow.

No. 4 Con-tract	Yest'rdy's Close	Previous Close	Business Done
	£ per tonne		
May	233.25-33.50	258.50-38.75	239.75-27.0
Aug.	229.50-30.00	253.00-35.25	235.25-24.00
Oct.	226.50-27.00	250.50-30.75	230.75-20.00
Jan.	214.75-15.50	217.00-18.00	217.05-17.00
March	214.85-15.00	217.50-18.00	218.50-09.00
May	214.50-16.50	217.50-18.50	—
Aug	214.00-15.30	216.55-16.00	—

Sales: 7,500 (7,725) lots of 50 tonnes.

Tate and Lyle ex-refinery price for granulated basis white sugar was £342.6 (same) a tonne for home trade and £304.00 (£343.00) for export.

International Sugar Agreement (U.S. cents per pound) fob and stowed Caribbean port. Prices for March 13. Daily price 20.94 (20.89): 15-day average 22.19 (22.36).

WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order buyer, seller, busines, sales). Australian cents per kilo. Mar. 492.0, 492.0-489.0, 43; May 470.9, 470.9, 473.5-469.5, 137; July 479.0, 483.5-477.0, 255; Oct. 475.6, 476.0, 479.9-473.0, 62; Dec. 478.0, 479.0, 483.0-478.0, 48; Mar. 485.5, 488.0, 490.0-488.0, 21; May 493.1, 498.0, 497.0-493.1, 11; July 502.0, 504.0, 502.0-500.0, 19. Sales: 594.

LONDON NEW ZEALAND CROSS-BREDS—Close (in order buyer, seller, *business, sales). New Zealand cents* per kilo. Mar. 336, 355, nil, nil; May 349, 360, nil, nil; Aug. 361, 384, nil, nil; Oct. 368, 371, 370, 5; Dec. 375, 377, 377, 1; Jan. 376, 378, nil, nil; Mar. 379, 380, 380, 8; May 382, 383, 382, 2; Aug. 384, 338, 385, 2. Sales 18.

BRADFORD WOOL—Too little business is being placed on the market for strength to develop, with steady sterling contributing to sagging prices.

PRICE CHANGES

	Mar. 16 1981	+ or —	Month ago
Metals			
Aluminium	£810/815	....	£810/815
Free Mkt	$1460/1480	....	$1435/455
Copper			
Cash w'bar	£893	+5	£776.5
3 mths	£944	+4.75	£798.75
Cash Cathode	£814	+3	£773
3 mths	£828	+0.5	£784.5
Gold troy oz	$498.5	+6	$490.5
Lead Cash	£320.5	—4	£294.75
3 mths	£327.5	—3.25	£304.625
Nickel	£3,358.65	....	£3,156
Freemkt	275/290c	....	275/290c
Platin'mtr'y oz	£213.50	....	£209
Freemkt	£221.75	+5.45	£206.10
Quicksilver†	$405/415	....	$390/400
Silver troy oz	558.45p	+10.35	565.25p
3 mths	575.20p	+11.10	582.30p
Tin Cash	£6,092.5	—42.5	£5,912.5
3 mths	£6,181	—48.5	£6,075
Tungsten22.04lb	$145.47	....	$144.72
Wolfrm 22.04 lbs	$161/165	....	$149/153
Zinc Cash	£340.5	—1.75	£313.25
3 mths	£351	—1.75	£324.25
Producers	$825	....	$825
Oils			
Coconut (Phil)	$665w	....	$695
Groundnut	‡		‡
Linseed Crude	£413	....	£400
Palm Malayan	$600v	+5	$610
Seeds			
Copra Philip	$390	....	$390
Soyabean(U.S.)	$310y	....	$303
Grains			
Barley Futures	£99.55	....	£98.60
Maize			
French	£125	....	‡
Wheat			
No 1 Red Spg.	‡		‡
No2 HardWint	£105.25	+0.50	£105
Eng. Milling†	‡	....	‡
Other commodities			
Cocoa ship't	£1,042	—12	£928
Future May	£946.5	—12	£859.5
CoffeeF t'May	£1021.5	....	£1034.5
Cotton A.Index	91.55c	+0.10	95.35c
Rubber (kilo)	58p	+0.50	56p
Sugar (Raw)	£228	—13	£260
Wool't'ps 64s kl.	320p kilo	....	302p kilo

† Unquoted. u May-June. x March-April. w April-May. v May. y April. z Indicator. § Buyer. ‡ Per 45 lb flask. * Nominal.

COTTON

LIVERPOOL—Spot and shipment sales amounted to 195 tonnes. Renewed interest was shown in numerous varieties although actual transactions were on a minor scale. Many of the operations were in middle eastern styles with fair support in African growth.

JUTE

JUTE—Mar. c and f Dundee: BWC £243, BWD £199, BTB £201, BTC £244, BTD £201. C and f Antwerp: BWC $538, BWD $433, BTB $643, BTC $536, BTD $438. Jute goods c and f Dundee: Mar. 40 in 10 oz£10.25, 40 in 7.5 oz £8.04. B Twills £29.55.

★

GRIMSBY FISH—Supply good, demand fair. Prices at ship's side (unprocessed) per stone: Shelf cod £3.00-£4.00, codlings £1.40-£3.00. Large haddock £4.20-£4.80, medium £3.20-£3.60, small £1.80-£2.50. Best small plaice £2.00-£3.00. Skinned dogfish (medium) £6.00. Lemon soles large £15.00, medium £13.50. Saithe £1.60.

MEAT/VEGETABLES

SMITHFIELD — pence per pound. Beef: Scotch killed sides 71.7 to 76.2. Eire hindquarters 84.0 to 87.0, forequarters 53.0 to 56.5. Veal: Dutch hinds and ends 110.5 to 113.0. Lamb: English small 73.0 to 81.0, medium 72.5 to 77.0, heavy 68.0 to 75.0. Imported *frozen—New Zealand* PL 54.0 to 55.0, PM 53.0 to 54.5. Pork: English, under 100 lb 44.4 to 50.6, 100-120 lb 44.1 to 49.4, 120-160 lb 41.8 to 47.7.

MEAT COMMISSION—Average fatstock prices at representative markets on March 16. GB—Cattle, 89.21p per kg lw (−0.29). UK—Sheep, 172.24p per kg est dcw (+4.90). GB—Pigs, *71.12p per kg lw (−0.15).*

COVENT GARDEN—Prices for the bulk of produce, in sterling per package except where otherwise stated. Imported Produce: Oranges—Jaffa: Shamoutis 50/189 4.50-5.05; Spania: Navels 48/100 4.20-4.80; Cyprus: Shamoutis/V. Lates 80/108 3.60-3.80. Lemons—Spania: Trays 25/54 2.20-2.40; Cyprus: 10 kg 4.00-4.50; Californian: 95/140 6.00-6.50; Italian: 100/120 3.75-4.50; South African: 80/100 5.80; Jaffa: 5.80, half boxes 40/45 2.80. Grapefruit—Cyprus: 20 kg 40/64 3.00-3.40; Jaffa: 20 kg 4.45, 40 4.50, 48 4.65, 56 4.40, 64 4.05, 75 3.85. *Mandarins—Spania: 126/* 140 4.20, 154 4.00, 168 3.80, 182 3.40. Wilkings—Spania: 80/98 5.50, 126 5.20, 140 5.00, 154 4.80, 168 4.50, 182 4.20; Jaffa: 22 yb 80/90 4.20. Temples—Jaffa: 24 lb 60/82 5.00-5.40. Minneolas—Californian: Sunkist 80 7.30. Apples—French: Stark Crimson 40 lb 4.60-5.50, 20 lb 72 2.80, 84 2.20, Granny Smith 40 lb 6.20-6.80, 20 lb 72 3.40, 84 2.70, Golden Delicious 40 lb 125/175 3.80-5.00, 20 lb 72 2.80, 84 2.40; Italian: 40 lb Romes 60/70 4.20, Granny Smith 19/20 lb 60/70 3.00; Hungarian: Starking 44 lb 6.40; Canadian: Red Delicious 135/150 8.00-9.00; U.S.: Red Delicious 9.00-10.50; Belgian: 28 lb, per pound Cox's 0.70-0.14; Dutch: 28 lb, per pound 0.09-0.14. Pears—Dutch: Conference per pound 0.14; Italian: Passacrassana 0.10-0.12; South African: Williams Bon Chretien 5.40. Beurre Hardy 5.40. Bosc 5.00. Plums—South African: Songold 11 lb 4.40-6.60. *Grapes—U.S.: Red Emperor 20 lb* wrapped 11.00; South African: 9 lb Waltham Cross 6.00, Alphonse 7.40, Barlinka 7.50: Chilean: 14 lb Perlette 8.40. Strawberries—Israeli: Per punnet 8 oz 0.60; Mexican: 12 oz 0.90; U.S.: 12 oz 1.00. Pineapples—Ivory Coast: Each 0.50-1.00; South African: Shelford 5/9 2.50-2.80. Bananas—Colombian: Per pound 0.17-0.18. Melons—Spanish: Green 7/11 4.60-6.00;

English Produce: Potatoes—Per bag 1.80-2.20. Mushrooms—Per pound 0.50-0.60. Apples—Per pound Bramleys 0.08-0.14, Spartans 0.14-0.16, Cox's *Orange Pippins 0.10-0.24, Russets 0.12-* 0.15, Laxtons 0.06-0.10. Pears—Per pound Conference 0.06-0.15, Comice 0.14-0.18. Cabbages—Per bag 1.40, White cabbages 3.40. Beetroots—Per bag 1.40-1.80. Lettuce—Per 12, round 1.40-1.60. Tomatoes—Per 12 lb English, per pound D 0.60, E 0.55. Cucumbers—Per 12/16 3.80-4.50. Sprouts—Per pound 0.07-0.09. Leeks—Per 14 lb 2.80. Rhubarb—Per pound forced 0.16. Carrots—Per 28 lb 2.40-2.80. Onions—Per bag 2.70-3.80. Celery—Per pack naked 16/18 1.50-1.80. Swedes—Per 28 lb Devon 0.80-1.00. Parsnips—Per 28 lb 1.80-2.40. Turnips—Per 28 lb 1.00-1.20. Cauliflowers—Per 12 Kent 2.50-3.00.

AMERICAN MARKETS

NEW YORK, March 16.

PRECIOUS METALS rallied on weakness of the dollar and interest rates. Copper came under pressure from trade selling and profit-taking. Sugar rallied on light commission house buying while coffee atracted dealer support. Trade selling in cocoa pressured values. The grain and soyabean markets were mixed and choppy awaiting direction from the planting intentions report. The livestock complex was under pressure from a negative cattle on feed report. Cotton declined sharply on poor demand prospects, reported Heinold.

Copper—March 82.45 (83.10), April 83.00 (83.70), May 84.05-84.20, July 86.20, Sept. 8.50, Dec. 91.55, Jan. 92.55, March 94.50, May 96.35, July 98.20, Sept. 100.50, Dec. 103.90, Jan. 103.75.

Potatoes (round whites)—April 146.1 (141.1), Nov. 87.9-88.1 (87.9). Sales: 1,535.

Tin—621.0-636.0 (621.0-637.0).

CHICAGO, March 16.

Lard—Chicago loose 19.50 (same).

Live Cattle—April 61.15 (62.65), June 64.97 (66.47), Aug. 65.97, Oct. 64.15-64.20, Dec. 65.60-65.70, Feb. 66.50, April 67.50.

Live Hogs—April 39.20-39.42 (40.02), June 44.15-44.30 (44.90), July 45.00-45.10, Aug. 44.55-44.40, Oct. 44.00-44.10, Dec. 48.00, Feb. 50.37, April 49.50, June 55.00.

‡‡Maize—March 346-347¼ (347¼), May 357¼-357¾ (357½), July 367-368½, Sept. 367½-367¾, Dec. 369½-369¾, March 381½-382.

Pork Bellies—March 41.45 (42.45), May 42.50-42.70 (43.50), July 44.00-44.15, Aug. 43.27-43.80, Feb. 55.90, March 54.50, May —.

Silver—March — (1219.0), April 1245.0 (1227.0), May —, June 1272.0, Aug. 1303.0, Oct. 1331.0, Dec. 1357.0, Feb. 1394.0, April 1424.5, June 1455.0, Aug. 1485.5, Oct. —, April —, June —, Aug. 1568.5, Oct. —.

†Soyabeans—March 733 (733), May 750-752 (751½), July 772-774½, Aug. 782½-782, Sept. 781½, Nov. 808-810, Jan. 825½, March 846.

||Soyabean Meal—March 208.5-208.8 (208.6), May 214.2-214.5 (213.2), July 221.3, Aug. 225.0, Sept. 227.5, Oct. 229.0, Dec. 232.5-233.5, Jan. 236.0, March 238.0-241.0, May —.

Soyabean Oil—March 23.65-23.70 (23.73), May 24.30-24.25 (24.30), July 25.00-24.95, Aug. 25.25, Sept. 25.45, Oct. 25.70, Dec. 26.25, Jan. 26.35, March 27.05-27.15, May 27.55-27.65.

†Wheat—March 430-429 (432), May 434-434½ (437), July 434-434, Sept. 448½-449½, Dec. 469, March 484½.

All cents per pound ex-warehouse unless otherwise stated. * $ per troy ounce. ‡‡ Cents per troy ounce. ‡‡ Cents per 56-lb bushel. † Cents per 60-lb bushel. || $ per short ton (2,000 lbs). §§ $ per metric ton. §§ $ per 1,000 sq feet. ‡ Cents per dozen. †† $ per metric ton.

EUROPEAN MARKETS

ROTTERDAM, March 16

Wheat—U.S. Two Dark Hard Winter 13.5 per cent April/May/June $210. U.S. No Two Red Winter April $205, May $208. U.S. No Two Northern Spring 14 per cent May $211, June-July $211, August $211.50, Sept. $212.50.

Soyabeans—U.S. Two Yellow Gulf ports March $305.50, April $304.50, May $306.50, June $311, July $313.50, August $316.50, Sept. $319.50, Oct.-Nov. $322.50, Dec. $328.50, Jan. $334, Feb. $340 March $342. Argentine/Uruguay/Brazil/Paraguay June $304, July $305 (sellers).

Soyameal—44 pr cent protein U.S. afl $268, March $268, April $266, June $268 traded, afl $268, April/May $268, June $268, April $271, Nov./March $289. Brazil Pellets April/May $276, April/Sept. $282.50 (sellers).

PARIS, March 16

Cocoa (FFr per 100 kilos)—March 970/1,040, May 1,034/1,039, July 1,050, Sept. 1,065/1,080, Dec. 1,102/1,125, March 1,130/1,140, May 1,150. Sales at call 3.

Sugar (FFr per tonne)—May 2,921/2,920, July 2,890/2,940, August 2,785/2,775, Oct. 2,600/2,610, Nov. 2,580/2,620 Dec. 2,450/2,520, March 2,400/2,420, May 2,400/2,430.

INDICES

FINANCIAL TIMES

Mar. 16	Mar. 13	Month ago	Year ago
258.46	257.16	253.25	291.03

(Base: July 1, 1952=100).

MOODY'S

Mar. 16	Mar. 13	Month ago	Year ago
1130.3	1119.2	1165.7	1244.4

(December 31, 1931=100)

DOW JONES

Dow Jones	Mar. 13	Mar. 12	Month ago	Year ago
Spot	415.63	414.94	482.65	410.44
Fut'rs	427.70	427.70	437.48	430.77

(Average 1924-25-26=100)

REUTERS

Mar. 16	Mar. 13	M'nth ago	Year ago
1716.3	1719.5	1721.0	1731.2

(Base: September 18, 1931=100)

LONDON STOCK EXCHANGE

Gilts continue strongly and tap stock is sold again
Equity leaders rally after last week's dullness

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Mar. 2	Mar. 12	Mar. 13	Mar. 23
Mar. 16	Mar. 26	Mar. 27	Apr. 6
Mar. 30	Apr. 9	Apr. 9	Apr. 21

* "New time" dealings may take place from 9 am two business days earlier.

The opening day of the new trading Account in London stock markets began on a relatively firm note, with the tone being further assisted late by news of yet another UK monthly balance of trade surplus. Overall conditions were rather quiet, but sufficient investment interest developed to give selected equity sectors a modest boost.

Encouraged by an early upturn in Electricals, which encountered occasional institutional support, other leading industrials edged higher after a cautious start. Down 0.4 at the 10.00 am calculation largely because of the dividend deduction in BP, the FT 30-share index improved to show a gain of 1.4 an hour later. Thereafter, the majority of quotation held at around the slightly enhanced levels until hardening in the after-hours' trade and the index ended the day a net 2.6 up at 479.8.

Among the index constituents, GKN moved against the trend to close 8 down at 127p on nervous offerings ahead of tomorrow's preliminary results. BP ended 2 off at 388p, after allowing for the net dividend reduction of 14p.

Elsewhere, a salient event was the 3.0 pm suspension of dealings in Royal Bank of Canada and the 3.45 suspension of Standard Chartered; it was announced after-hours that merger discussions were taking place between the two concerns. Of the sectors, Oil moved against the overall trend, with sentiment being adversely affected by weekend Press comment.

The strong advance in Gilt-edged securities since last Tuesday's Budget continued yesterday. Morning conditions were fairly quiet, but mediums and longs responded to domestic and overseas demand prompted by sterling's late rise against the dollar to record fresh gains ranging to ½. The Government broker was able to sell more of the £15-paid medium tap, Exchequer 12½ per cent 1980 at 15½ before withdrawing at that level. Short-dated issues also made progress and closed with improvements extending to ⅛. Zimbabwe Settlement Annuities attracted renewed investment support in ex-dividend form and closed a net 7 points higher at £355.

Much quieter conditions prevailed in Traded options and only 505 deals were arranged, compared with Friday's 1,777 and last week's daily average of 1,305.

Eglinton Oil and Gas, which staged a successful market debut last week, gained 18 to 143p following the latest Texas drilling report.

Royal Bank Scot up

Royal Bank of Scotland moved ahead strongly in the early trade on a resurgence of speculation concerning a bid from Hong Kong and Shanghai. RBS were standing 7 higher at 96p when the shares were suspended at 3.00 pm and later it was announced that the company is engaged in merger negotiations with Standard Chartered; the latter were suspended at 3.45 pm at 695p. This development sparked off a late flurry of buying in Lloyds and Scottish, in which Royal Bank of Scotland holds a 39.3 per cent stake, and the close was 14 higher at 185p. Elsewhere, Midland cheapened 5 to 315p following adverse comment ahead of Friday's preliminary results, while Barclays shed 6 at 380p. Lloyds, long-rumoured to be a possible suitor of RSB, hardened 2 to 307p.

Trade Indemnity became dull late in Insurances, falling 14 to 190p after disappointing results. Still reflecting its North Sea oil interests, London United Investments added 5 at 207p.

The drinks sector passed an extremely subdued session, although the odd firm spot was apparent. Boddingtons rose 4 to 107p in front of Thursday's preliminary results, while Amalgamated Distilled Products attracted renewed speculative support and firmed 3 to 52p.

Tunnel "B," up 46 last Friday on the shares and cash bid from T. W. Ward, gained 6 more to 386p. Ward improved 3 to 120p. In the wake of the latter's offer for Tunnel, renewed speculative buying lifted Newarthill 10 to 415p and Aberthaw Cement 6 to 216p. Mixconcrete revived with a gain of 3 to 67p. Press comment ahead of today's interim results helped Barratt Developments rise 3 to 202p, while demand in front of today's preliminary statement left Fairclough Construction a couple of pence dearer at 83p. Cement Roadstone, annual results tomorrow, hardened a penny to 76p. Elsewhere in the Building sector, J. Smart firmed 2 to 51p following favourable newspaper mention, while Blockleys rose 5 to 117p, the latter in a thin market. Pochins edged forward 7 to 212p and Derek Crouch improved 6½ to 185p xd.

Chemicals traded firmly and ICI rallied 6 to 232p, while Fisons put on 5 to 138p.

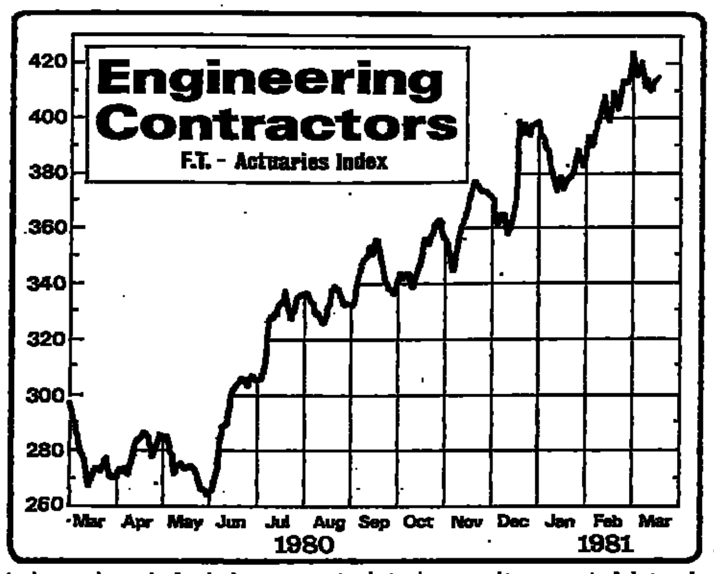
The February retail sales had little impact on leading Stores which hovered around Friday's closing levels. Secondary issues retained an irregular appearance, but Polly Peck, 170p, and Cornell Dresses, 75p, added 10 and 5 respectively. News of the joint chief executive's resignation, however, clipped 2 from MFI, at 55p. Among Shoes, Stylo encountered renewed demand and rose 10 to 140p.

STC below best

The Electrical sector helped the new Account off to a bright start when good buying, some of which was institutional, prompted double-figure gains in places. Plessey rose 6 to 323p with sentiment helped by reports that the company will be the main contractor to the £150m reconstruction of Abidjan airport on the Ivory Coast. Thorn EMI also added 6 to 308p and Racal Electronics were a similar amount dearer at 354p, while GEC touched 652p before finishing only a net 2 harder at 647p. STC jumped 19 to 509p, after 514p, on demand ahead of Friday's preliminary results and AB Electronics gained 6 to 104p awaiting today's interim statement. Sound Diffusion rose 8 to 95p in response to Press comment, while Muirhead advanced 10 to 118p on revived bid speculation. Improvements of between 13 and 20 were recorded in Ferranti, 543p, Henry Wigfall, 178p, and Electrocomponents, 665p. Unitech put on 8 to 240p and First Castle Securities appreciated 9 to 103½p. By way of contrast, Chloride shed 3 to 35p on reports that the chief executive had been dismissed. Fidelity Radio came on offer at 25p, down 4.

GKN fell 8 to a 1980-81 low of 127p following nervous selling ahead of tomorrow's preliminary results. IMI, annual figures due today, also drifted lower and finished 2 off at 60p. Victor Products (Wallsend) gave up 7 to 168p in reply to the disappointing interim figures, but Thomas Walker moved up 5 to 13p on an investment recommendation. Renewed demand in a thin market lifted Haden Carrier 8 afresh to 234p, while Acrow "A" revived at 37p, up 4.

United Biscuits, still responding to the better-than-expected preliminary results, improved another 6 to 101p, while demand in a thin market ahead of the annual results, due on March 27, lifted Bernard Matthews 23 to 370p.



Crest Nicholson good

Secondary issues provided the features in miscellaneous industrials. Stimulated by Press comment, Crest Nicholson added 9 to 159p, while Negretti and Zambra rose 8 to 33p and Smiths Industries gained 6 at 314p. Revived speculative support lifted R. K. Watson 11 to 99p. ICL rebounded with a rise of 5 to 42p, while W. Canning added 5 to 58p on the better-than-expected results and Relyon PBWS gained 4 to 90p, also in response to satisfactory annual figures. Brengreen found support at 49p, up 5, and Australian giant, Broken Hill Proprietary, added 20 at 750p. Continuing to reflect bid hopes, Myson improved 2 at 42p, while Thomas Tilling hardened the turn to 163p ahead of tomorrow's preliminary figures.

The Leisure sector displayed a couple of firm features. Favourable Press comment encouraged demand for Glasgow Pavillion, which gained 3 to 35p, while publicity given to a broker's circular helped Hawley Leisure rise 4 to a 1980-81 peak of 56p.

Motors displayed a firmer trend. Distributors were featured by H. Woodward, which spurted 8 to 28p following the substantial increase in full-year earnings. Interest was also noted for Godfrey Davis (1980), 5 up at 182p, and for Hartwells, 3 better at 86p, but Nelson David eased a fraction to 10½p awaiting today's interim figures. Among Components, gains of 3 were seen in Lucas, at 175p, and Dowty, at 244p. Armstrong Equipment, interim results expected later in the Account, added a couple of pence at 44p.

Bristol Evening Post firmed 5 to 175p following Press mention, but Liverpool Daily Post eased 2 to 88p; the latter is due to announce annual results on Thursday. William Collins continued to draw strength from last week's annual results and added 6 more at 158p. Agencies turned firmer and Saatchi and Saatchi, 343p, and Geers Gross, 92p, both added around 6, while Mills and Allen, interim results due on Friday, rose 10 to 360p.

Secondary Properties attracted fresh support and Rosehaugh advanced 10 to 308p. Thames Investment gained 6 to 182p and the 12 per cent Convertible 8 to 144p. Trust Securities rose 8 to 306p, while Fairview Estates improved 5 to 124p and C. H. Beazer 3 to a 1980-81 peak of 113p.

Oils dull

Oils became unsettled by adverse Press comment about the Supplementary Petroleum Duty and also a closer assessment of the seventh round of North Sea licence awards. Shell came under pressure and dipped 12 to 392p, while British Petroleum, in ex-dividend form, closed 2 cheaper at 388p. Tricentrol shed 6 to 282p and Lasmo 15 to 590p, while Burmah eased 3 to 170p. IC Gas lost 15 at 215p and Cluff 10 at 370p, but Premier, aided by favourable Press mention, closed a penny dearer on balance at 102p, after 103p. Elsewhere, Double Eagle touched 340p before slipping back to finish a net 25 higher at 325p.

The Stock Exchange decision to withdraw the company's quotation when the offer from Mr. Nicholas de Savary closes upset Jamaica Sugar, which tumbled 17 to 20p. Elsewhere in Overseas Traders, speculative support lifted Boustead to 174p before a close of 171p, up 4 on balance.

S. Pearson dropped sharply to 204p, a fall of 16, on fears of losses at its Fairey subsidiary. In contrast, stockjobbers Ackroyd and Smithers benefited from increased activity in Gilts and improved 12 to 185p.

Isolated rises in Textiles were often attributed to renewed speculative demand. Sidlaw advanced 11 to 142p, while Sirdar, at 135p, and Jerome, at 68p, both added 3.

Golds gain ground

A downturn in the U.S. mining sector, reflecting fears of possible anti-trust proceedings against the three companies bidding for AMAX, St. Joe Minerals and Kennecott, left South African Golds and Australians to make the running in mining markets.

Among U.S. stocks, AMAX fell £1½ to £25½. St. Joe lost a point to £20½, Newmont and Asarco a half-point apiece to £24½ and £19½ respectively, and Phelps Dodge ½ to £19.

South African Golds made progress for the third successive trading day as the bullion price moved above $500 an ounce prior to closing $6 up at $498.5.

Persistent light buying from most international centres took share prices higher throughout the day before minor profit-taking left the market a shade below the day's best. The Gold Mines index put on 8.2 more to 344.3.

In South African Financials Rand London Corporation gave up 10 at 245p and Rand London Coal 7 at 105p following news that the latter is unlikely to achieve the profits forecast made in February 1980.

Heavy overnight demand in Sydney and Melbourne, coupled with the strong performance of metal prices encouraged widespread gains in Australians.

Rumours of further diamond discoveries lifted Ashton Mining 7 to 125p and Northern Mining a like amount to 142p. CRA put on 2 to 248p.

In Golds, North Kalgurli were boosted by favourable Press mention and advanced 6 to 70p. Elsewhere, Meekatharra responded to substantial speculative support and jumped 80 to 380p, after 400p.

FINANCIAL TIMES STOCK INDICES

	Mar. 16	Mar. 13	Mar. 12	Mar. 11	Mar. 10	Mar. 9	A year ago
Government Secs.	69.92	69.65	69.66	69.49	68.75	68.67	64.15
Fixed Interest	71.62	71.59	71.56	71.40	70.53	70.58	[illegible]
Industrial Ord.	479.8	477.2	481.0	470.0	484.3	483.5	453.2
Gold Mines	344.3	336.1	319.0	316.7	[illegible]	319.1	241.5
Ord. Div. Yield	7.00	7.02	6.97	7.10	7.27	7.29	7.98
Earnings, Yld. % (full)	14.76	14.81	15.27	15.09	15.64	15.68	20.59
P/E Ratio (net) (*)	8.38	8.35	8.04	7.66	7.88	7.86	5.95
Total Bargains	21,969	24,269	21,783	21,797	22,877	24,093	18,222
Equity turnover £m.	—	170.58	145.94	164.10	[illegible]	[illegible]	78.35
Equity bargains total	—	20,227	18,268	15,813	17,425	19,592	13,321

10 am 476.8. 11 am 478.6. Noon 478.7. 1 pm 478.9. 2 pm 478.8. 3 pm 478.7.

Latest Index 01-246 8026.

*Nil=7.78.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

HIGHS AND LOWS

	1980/81 High	1980/81 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	72.54	63.85	127.4	49.18
Fixed Int.	74.06	64.70	150.4	50.53
Ind. Ord.	518.9	405.9	558.6	49.4
Gold Mines	559.9	265.5	558.9	43.5

S.E. ACTIVITY

	Mar. 13	Mar. 12
—Daily Gilt Edged Bargains	127.9	250.5
Equities Bargains	121.1	128.5
Value	344.6	[illegible]
5-day Avrge. Gilt Edged Bargains	230.0	247.6
Equities Bargains	118.3	131.1
Value	374.1	[illegible]

NEW HIGHS AND LOWS FOR 1980/81

The following shares quoted in the Share Information Service yesterday attained new Highs and Lows for 1980-81.

NEW HIGHS (71)

BRITISH FUNDS (7)
COMMONWEALTH AND AFRICAN LOANS (2)
AMERICANS (4)
CANADIANS (1)
BANKS (1)
BUILDINGS (8)
ELECTRICALS (4)
ENGINEERING (4)
FOODS (1)
HOTELS (1)
INDUSTRIALS (8)
INSURANCE (4)
LEISURE (2)
MOTORS (2)
NEWSPAPERS (1)
PAPER (3)
PROPERTY (5)
TEXTILES (2)
TRUSTS (7)
OIL AND GAS (1)

NEW LOWS (12)

ELECTRICALS (1)
Fidelity Radio
ENGINEERING (4)
Camford Eng. GKN
Elliott (B.) Priest (B.)
INDUSTRIALS (1)
Pentos Defd.
TOBACCO (1)
Imperial Group
TRUSTS (1)
Energy Finance
OILS (3)
Branon Shackleton
Collins (K.)
MINES (1)
Geevor

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	82	1	12
Corps. Dom. and Foreign Bonds	5	1	59
Industrials	350	156	864
Fin. and Prop.	122	78	293
Oils	18	33	23
Plantations	1	6	16
Mines	92	20	53
Others	49	56	33
Totals	719	351	1,353

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon., March 16, 1981 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Fri. March 13 Index No.	Thurs. March 12 Index No.	Wed. March 11 Index No.	Tues. March 10 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (212)	313.03	+0.7	13.11	5.20	9.33	310.88	318.14	304.71	309.22	233.94
2	Building Materials (26)	275.29	+0.4	16.80	6.27	7.12	274.22	271.45	267.96	270.27	228.39
3	Contracting, Construction (26)	492.57	+1.2	18.53	5.16	6.49	486.52	482.85	483.49	483.50	362.44
4	Electricals (27)	1027.87	+1.2	8.44	2.55	14.64	1015.81	1015.97	992.18	1008.08	604.01
5	Engineering Contractors (11)	415.45	+0.6	14.35	6.23	8.88	413.03	410.23	410.16	414.11	274.46
6	Mechanical Engineering (72)	185.11	+0.6	15.07	6.78	8.39	183.97	184.78	182.66	186.47	159.46
8	Metals and Metal Forming (13)	141.55	−1.7	18.63	11.80	6.80	144.01	144.52	142.46	147.13	158.63
9	Motors (21)	88.87	+0.9	20.11	9.32	5.76	88.08	88.17	87.48	89.40	104.94
10	Other Industrial Materials (16)	327.74	+0.2	13.64	6.26	8.63	327.19	323.19	312.69	315.18	0.00
21	CONSUMER GROUP (197)	242.36	+0.7	15.51	6.51	7.83	240.75	241.93	238.16	244.64	212.92
22	Brewers and Distillers (20)	264.43	+0.4	17.52	6.92	6.77	263.48	264.24	259.97	266.41	256.83
25	Food Manufacturing (22)	225.62	+1.0	17.49	7.01	6.80	223.45	223.86	219.06	224.94	189.61
26	Food Retailing (14)	447.16	+0.3	10.07	3.60	11.73	445.88	444.70	440.89	448.30	294.17
27	Health and Household Products (7)	258.10	+1.2	10.29	5.53	11.55	255.15	256.29	252.52	258.36	201.83
29	Leisure (22)	368.11	+1.0	15.19	6.21	8.12	364.50	363.17	358.15	363.52	287.71
32	Newspapers, Publishing (12)	441.73	+0.2	19.91	7.25	6.56	441.01	441.78	437.87	444.89	410.92
33	Packaging and Paper (15)	122.58	+1.5	26.05	9.87	4.45	120.80	120.95	120.11	124.03	125.27
34	Stores (44)	243.67	+0.5	12.15	5.19	10.79	242.56	245.17	240.11	250.34	215.13
35	Textiles (21)	138.41	+1.0	15.88	9.64	8.51	137.10	138.74	138.64	140.35	126.35
36	Tobaccos (3)	213.17	+0.5	26.66	10.92	4.28	212.07	214.75	213.15	215.98	197.86
39	Other Consumer (17)	257.20	+0.4	10.03	7.47	12.57	256.25	255.40	257.52	258.84	0.00
41	OTHER GROUPS (79)	204.99	+0.8	14.99	7.41	8.25	203.40	205.89	203.82	209.89	197.62
42	Chemicals (15)	239.27	+1.7	13.53	8.75	9.37	235.35	242.84	239.87	249.91	290.76
44	Office Equipment (6)	107.38	+1.8	17.33	7.73	6.84	105.50	106.97	105.27	109.19	112.97
45	Shipping and Transport (13)	577.32	−0.1	13.15	6.40	9.31	578.18	580.35	568.98	579.82	457.40
46	Miscellaneous (45)	267.10	—	16.66	6.32	7.38	267.13	265.82	265.20	270.34	232.19
49	INDUSTRIAL GROUP (488)	261.25	+0.7	14.52	6.12	8.40	259.45	260.24	256.18	262.03	221.13
51	Oils (12)	822.89	−3.4	22.50	6.85	5.11	851.79	869.35	821.91	844.95	738.42
59	500 SHARE INDEX	305.83	−0.2	16.18	6.27	7.41	306.39	308.48	301.05	308.25	261.41
61	FINANCIAL GROUP (118)	243.93	+0.1	—	5.61	—	243.66	243.08	240.42	242.53	188.68
62	Banks (6)	224.98	−0.9	42.69	7.91	2.84	227.03	226.33	220.84	221.14	206.17
63	Discount Houses (10)	307.12	−0.1	—	6.03	—	307.48	302.59	299.22	299.22	211.69
64	Hire Purchase (4)	252.62	+5.6	9.32	5.17	15.15	239.14	238.80	234.41	235.34	182.03
65	Insurance (Life) (10)	259.01	+0.6	—	5.16	—	257.45	255.45	252.32	255.23	168.59
66	Insurance (Composite) (9)	162.01	+1.1	—	7.38	—	160.31	160.59	158.28	159.83	122.94
67	Insurance Brokers (9)	339.39	−0.1	12.94	6.83	10.55	339.60	339.63	339.87	341.13	283.10
68	Merchant Banks (13)	147.33	−0.4	—	5.32	—	147.91	147.58	146.99	151.99	101.17
69	Property (46)	471.67	−0.4	3.19	2.65	43.50	473.36	471.74	471.08	477.21	358.08
70	Miscellaneous (11)	176.40	+0.5	15.42	5.27	8.26	175.51	175.92	174.99	173.56	126.26
71	Investment Trusts (109)	285.59	—	—	5.39	—	285.54	285.26	287.17	289.54	210.12
81	Mining Finance (3)	231.28	−0.5	14.63	5.80	8.11	232.44	221.29	216.02	222.64	179.95
91	Overseas Traders (20)	440.99	+0.1	12.13	6.72	10.14	440.76	440.01	436.42	441.08	388.84
99	ALL-SHARE INDEX (750)	293.94	−0.1	—	6.09	—	294.29	295.17	289.45	295.23	244.01

FIXED INTEREST PRICE INDICES

	British Government	Mon. March 16	Day's change %	Fri. March 13	xd adj. today	xd adj. 1981 to date
1	Under 5 years	108.85	+0.16	108.68	—	2.48
2	5-15 years	112.52	+0.50	111.96	—	2.02
3	Over 15 years	116.24	+0.58	115.57	—	2.16
4	Irredeemables	128.41	+0.37	127.94	—	1.78
5	All stocks	112.27	+0.42	111.80	—	2.18

FIXED INTEREST YIELDS British Govt. Av. Gross Red.

			Mon. March 16	Fri. March 13	Year ago (approx.)
1	Low Coupons	5 years	11.23	11.28	13.16
2		15 years	12.05	12.13	13.01
3		25 years	12.20	12.29	13.01
4	Medium Coupons	5 years	12.97	13.06	15.04
5		15 years	13.57	13.66	14.61
6		25 years	13.34	13.43	14.40
7	High Coupons	5 years	13.00	13.05	15.16
8		15 years	13.80	13.89	14.94
9		25 years	13.52	13.60	14.79
10	Irredeemables		11.51	11.55	12.51

		Mon., Mar. 16 Index No.	Mon., Mar. 16 Yield %	Friday Mar. 13	Thurs. Mar. 12	Wed. Mar. 11	Tues. Mar. 10	Mon. Mar. 9	Friday Mar. 6	Thurs. Mar. 5	Year ago (appr'x)
15	20-yr. Red. Deb. & Loans (15)	52.92	†14.00	52.85	52.70	52.69	52.38	52.36	52.39	52.42	49.66
16	Investment Trust Prefs. (15)	50.94	13.26	51.15	50.87	51.01	51.01	51.01	51.01	51.01	47.91
17	Coml. and Indl. Prefs. (20)	68.14	13.23	68.33	68.70	68.45	68.20	68.20	68.20	68.38	61.34

† Redemption yield. Highs and lows record base dates and values and constituent changes are published in Saturday issues. A new list of the constituents is available from the [illegible] ...se, Cannon Street, London, EC4P 4BY, price 15p, by post 26½p.

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ACTIVE STOCKS

Stock	Closing price pence	Day's change	Stock	Closing price pence	Day's change
Brengreen	49	+ 5	Meekatharra	380	+80
Brit. Homes Stores	143	+ 1	Pearson (S.)	204	−16
Crest Nicholson	159	+ 9	Racal	354	+ 7
F. S. Geduld	£20¾	+ ½	Royal Bk. Scotland	96½	+ 7
GEC	647	+ 2	Sound Diffusion	95	+ 8
Hawley Leisure	66	+ 4	Ultramar	483	− 2

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Mar. 9	Mar. 20	June 11	June 22
Mar. 23	Apr. 3	June 25	July 6
Apr. 6	Apr. 17	July 9	July 20

For rate indications see end of Share Information Service

Money was given for the call of Cons. Gold Fields, ICI, FNFC, Turner and Newall, Bowater, Bardsey, Thomas Borthwick, Montague L. Meyer, Premier Oil, Massey Ferguson, East Daggafontein, Burmah, Metal Box, Keith Collins Petroleum and Robertson Foods. A put was taken out in Brown and Jackson, while doubles were struck in FNFC, Thomas Borthwick and Cons. Gold Fields.

RECENT ISSUES

EQUITIES

Issue Price p‡	Amount Paid Up	Latest Renunc. Date	1980/81 High	1980/81 Low	Stock	Closing Price p	+ or −	Div. P. or Amount	Times Covered	Gross Yield	P.E. Ratio
150	F.P.	3/4	179	170	British Aerospace 50p	175	+2	b7.8	2.0	6.4	11.2
10	F.P.	27/3	16¼	13¾	✠Crest Intl Sea. 10p	16¾	+½	—	—	—	—
100	F.P.	1/5	120	105	Cystic Fibr. Inv. Tst. £1	117	+1	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

Renunciation date usually last day for dealing free of stamp duty. ...

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Abbey Unit Tst. Mngrs. (a)

Allen Harvey & Ross Unit Tst. Mngrs.

Allied Hambro Ltd. (a) (g)

Anderson Unit Trust Managers Ltd.

Ansbacher Unit Mgmt. Co. Ltd.

Anthony Wieler Unit Tst. Mgmt. Ltd.

Arbuthnot Securities Ltd. (a)(c)

Archway Unit Tst. Mgs. Ltd.♥ (a)(c)

Barclays Unicorn Ltd.♥ (a)(c)(g)

Baring Brothers & Co. Ltd.♥ (a)(x)

Bishopsgate Progressive Mgmt. Co.♥

Bridge Fund Managers (a)(c)

Britannia Gp. of Unit Trusts Ltd.(a)(c)(g)

The British Life Office Ltd.♥ (a)

Brown Shipley & Co. Ltd.♥(a)(g)

Buckmaster Management Co. Ltd.

Canada Life Unit Trst. Mngrs. Ltd.♥

Capel (James) Mngt. Ltd.

Carr, Sebag Unit Trust Managers(a)

Charities Official Invest. Fund

Chieftain Trust Managers Ltd.♥ (a)(g)

Chesterton Fund Managers(g)

Confederation Funds Mgt. Ltd. (a)

Craigmount Unit Tst. Mgrs. Ltd.

Crescent Unit Tst. Mngrs. Ltd. (a)(g)

Dartington Unit Trust Mngt. Ltd.

Discretionary Unit Fund Managers

E. F. Winchester Fund Mngt. Ltd.

Equity & Law Un. Tr. M.♥ (a)(b)(c)

Fidelity International Management Ltd.

James Finlay Unit Trust Mngt. Ltd.

Framlington Unit Mgt. Ltd. (a)

Robert Fraser Trust Mgt. Ltd.

Friends' Provdt. Trust Mgrs. (a) (b) (c).

Funds in Court♥

G.T. Unit Managers Ltd.♥

G. & A. Trust (a) (g)

Gartmore Fund Managers♥ (a)(g)

Gibbs (Antony) Unit Tst. Mgs. Ltd. (a)

Govett (John)

Grieveson Management Co. Ltd.

Guardian Royal Ex. Unit Mgrs. Ltd.

Henderson Administration (a) (b) (c)

Hill Samuel Unit Tst. Mgrs.† (a)

Investment Intelligence Ltd. (a)

Key Fund Managers Ltd. (a)(g)

Kleinwort Benson Unit Managers♥

L & C Unit Trust Management Ltd.♥

Legal & General (Unit Tst. Mngrs.) Ltd.♥

Leonine Administration Ltd.

Lloyds Bk. Unit Tst. Mngrs. Ltd.♥ (a)

Lloyd's Life Unit Tst. Mngrs. Ltd.

Local Authorities' Mutual Invest. Tst.*

M & G Group (y)(c)(x)

Manulife Management Ltd.

Mayflower Management Co. Ltd.

Mercury Fund Managers Ltd.

Midland Bank Group Unit Trust Managers Ltd.♥ (a)

Minster Fund Managers Ltd.

MLA Unit Trust Mngmnt. Ltd.

Murray Johnstone U.T. Mgmt.♥ (a)

Mutual Unit Trust Managers♥ (a)(g)

National Provident Inv. Mngrs. Ltd.♥

National Westminster♥ (a)

NEL Trust Managers Ltd.♥ (a)(g)

Northgate Unit Trust Managers Ltd. (c)(y)

Norwich Union Insurance Group (b)

Pearl Trust Managers Ltd. (a)(g)(z)

Pelican Units Admin. Ltd. (g)(x)

Perpetual Unit Trust Mngmt.♥ (a)

Practical Invest. Co. Ltd. (y)(c)

Provincial Life Inv. Co. Ltd.♥

Prudl. Portfolio Mngrs. Ltd.♥ (a)(b)(c)

Quilter Management Co. Ltd.

Reliance Unit Mgrs. Ltd.♥

Ridgefield Management Ltd.

Rothschild Asset Management (a) (g)

Rowan Unit Trust Mngt. Ltd. (a)

Royal Tst. Can. Fd. Mgrs. Ltd.

For Saturn Fund, mngt. see SIMCO

Save & Prosper Group

Schroder Unit Trust Managers Ltd.

Scottish Amicable Inv. Mngrs. Ltd.

Scottish Equitable Fnd. Mgrs. Ltd.♥

Security Selection Ltd.

SIMCO Money Funds

Stewart Unit Tst. Managers Ltd.(a)

Sun Alliance Insurance Group.

Target Tst. Mngrs. Ltd.♥ (a)(g)

Tower Unit Trust Mngt. Ltd.

Trades Union Unit Tst. Managers♥

Transatlantic and Gen. Secs. (c) (y)

Tyndall Managers Ltd.(a)(b)(c)

TSB Unit Trusts (y)

Ulster Bank♥ (a)

Unit Trust Account & Mgmt. Ltd.

INSURANCE PROPERTY BONDS

Abbey Life Assurance Co. Ltd.

Albany Life Assurance Co. Ltd.

AMEV Life Assurance Ltd.

Barclays Life Assur. Co. Ltd.

Black Horse Life Ass. Co. Ltd.

Canada Life Assurance Co.

Cannon Assurance Ltd.

Capital Life Assurance♥

Charterhouse Magna Gp.♥

Chieftain Assurance Funds

City of Westminster Assurance

Commercial Union Group

Confederation Life Insurance Co.

Cornhill Insurance Co. Ltd.

Credit & Commerce Insurance

Crown Life

Crusader Insurance Co. Ltd.

Eagle Star Insur./Midland Assur.

Equity & Law Life Ass. Soc. Ltd.

Equity & Law (Managed Funds) Ltd.

Family Assurance Society

Assicurazioni GENERALI S.p.A.

General Portfolio Life Ins. C. Ltd.♥

Growth & Sec. Life Ass. Soc. Ltd.♥

Guardian Royal Exchange

Hambro Life Assurance Limited

Hearts of Oak Benefit Society

Henderson Administration

Hill Samuel Life Assur. Ltd.♥

Imperial Life Ass. Co. of Canada

Irish Life Assurance Co. Ltd.

King & Shaxson Ltd.

Langham Life Assur. Co. Ltd.

Legal & General (Unit Assur.) Ltd.♥

Legal & General Prop. Fd. Mgrs. Ltd.

Life Assur. Co. of Pennsylvania

Lloyds Life Assurance

London A'deen & Nthn. Mtl. Assur. Ltd.

London Indemnity & Gnl. Ins. Co. Ltd

London Life Linked Assur. Ltd.

The London & Manchester Ass. Gp.♥

M & G Group♥

Manufacturers Life Insurance Co.

Merchant Investors Assurance♥

NEL Pensions Ltd.

NPI Pensions Management Ltd.

New Zealand Ins. Co. (UK) Ltd.♥

Norwich Union Insurance Group♥

Phoenix Assurance Co. Ltd.

Planned Savings Group

Premium Life Assurance Co. Ltd.

Prop. Equity & Life Ass. Co.♥

Property Growth Assur. Co. Ltd.♥

Providence Capitol Life Assc. Co. Ltd.

Provincial Life Assurance Co. Ltd.

Prudential Pensions Limited♥

Reliance Mutual

Rothschild Asset Management

Royal Insurance Group

Save & Prosper Group♥

Schroder Life Group♥

Scottish Amicable Investments.

Scottish Widows' Group

Solar Life Assurance Limited

Standard Life Assurance Company♥

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd.

Sun Life Unit Assurance Ltd.

Sun Life Pensions Management Ltd.

Target Life Assurance Co. Ltd.

Transinternational Life Ins. Co. Ltd.

Trident Life Assurance Co. Ltd.♥

Tyndall Assurance/Pensions(a)(b)(c)

Vanbrugh Life Assurance♥

Vanbrugh Pensions Limited

Welfare Insurance Co. Ltd.♥

Windsor Life Assur. Co. Ltd.

OFFSHORE & OVERSEAS FUNDS

Albany Fund Management Limited

Alexander Fund

Allen Harvey & Ross Inv. Mgt. (C.I.)

Alliance International Dollar Reserves

Arbuthnot Securities (C.I.) Limited

B.L.A. Bond Investments AG

Bank of America International S.A.

Banque Bruxelles Lambert

Barbican Managers (Jersey) Ltd.

Barclays Unicorn International

Bishopsgate Commodity Ser. Ltd.

Bridge Management Ltd.

Britannia Intl. Investment Mngmt. Ltd.

Brown Shipley Tst. Co. (Jersey) Ltd.

Butterfield Management Co. Ltd.

CAL Investments (IoM) Ltd.

Cardinex S.A.

Capital Asset Managers Ltd.

Capital International Fund S.A.

Charterhouse Japhet

Chartered Commodities (Isle of Man) Ltd.

Clive Investments (Jersey) Ltd.

Cornhill Ins. (Guernsey) Ltd.

Corinas International

Continued on previous page

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

INTERNATIONAL BANK

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS—Continued

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCE—Continued

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

INSURANCE

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

PROPERTY

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc.

[illegible]

FINANCE, LAND—Continued

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—Continued

Australian

1980-81 High	Low	Stock	Price	+ or —	Div. Net	C'vr	Y'ld Gr's
38	21	Acmex 50c	38	......	Q2.5c	—	3.5
28	12	ACM 20c	18	+3	—	—	—
19	14	Argosy Gold NL 25c	14½	+½	—	—	—
*199	46½	Bond Corp.	154	+2	Q7½c	1.9	2.5
156	76	Bougainville I Kina	87	-2	Q26.2c	⊕	15.6
*350	214	CRA 50c	248xd	+2	Q19c	⊕	3.9
25	11½	Canada Northwest	20	......	—	—	—
42	8	Carr Boyd 20c	22	......	—	—	—
545	152½	Central Pacific	250	-5	—	—	—
36½	9¼	Cons. Gold Mns. N.L. 50c	35	......	—	—	—

[illegible]

Tins

[illegible]

Copper

[illegible]

Miscellaneous

[illegible]

NOTES

[illegible]

scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1980-81. K Figures based on prospectus or other official estimates for 1979-80. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1980-81. Q Gross. T Figures assumed. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	41	......	**IRISH**		
Bertam	13	......	Conv. 9% '80/82	£94	......
Bdg'wtr. Est. 50p	535	......	Nat. 9¾% 84/89	£76¼	......
Craig & Rose £1	£11¼	......	Fin. 13% 97/02	£80½	......
Fife Forge	41	......	Alliance Gas	54	......
Finlay Pkg. 5p	20	......	Arnott	295	......
Graig Ship. £1	£20	......	Carroll (P.J.)	85	......
Higsons Brew	65	......	Concrete Prods.	94	......
Holt (Jos) 25p	485	+5	Helton (Hldgs.)	38	......
I.O.M. Stm. £1	160	......	Ins. Corp.	395	......
Pearce (C. H.)	810	......	Irish Ropes	43	......
Peel Mills	82½	......	Jacob	40	......
Sheff. Refrshmt	95	......	T.M.G.	21	......
Sindall (Wm.)	135	......	Unidare	62	......

OPTIONS

3-month Call Rates

Industrials		I.C.I.	28	Utd. Drapery	6½
A. Brew	7	"Imps"	7	Vickers	14
BOC Intl.	9	I.C.L.	9	Woolworths	5
B.S.R.	4½	Inveresk	3	**Property**	
Babcock	11	Ladbroke	24	Brit. Land	8
Barclays Bank	40	Legal & Gen.	20	Cap. Counties	11
Beecham	15	Lex Service	9	Land Secs.	35
Blue Circle	30	Lloyds Bank	20	MEPC	20
Boots	20	"Lots"	4	Peachey	8
Bowaters	20	London Brick	6	Samuel Props.	15
B.A.T.	25	Lucas Inds.	20	Town & City	2¼
Brown (J.)	6½	"Mams"	20	**Oils**	
Burton	10	Mrks. & Spncr	9	Brit. Petroleum	36
Cadburys	6	Midland Bank	32	Burmah Oil	19
Courtaulds	6	N.E.I.	7	Charterhall	11
Debenhams	8	Nat. West. Bank	32	KCA	22
Distillers	17	P & O Dfd.	12	Premier	10
Dunlop	7½	Plessey	25	Shell	40
Eagle Star	22	Racal Elect.	32	Tricentrol	34
F.N.F.C.	3½	R.H.M.	4	Ultramar	48
Gen. Accident	30	Rank Org.	16	**Mines**	
Gen. Electric	50	Reed Intnl.	18	Charter Cons.	20
Glaxo	22	Sears	4½	Cons. Gold	45
Grand Met.	14	Tesco	5½	Lonrho	10
G.U.S. 'A'	48	Thorn	28	Rio T. Zinc	45
Guardian	32	Trust Houses	18		
G.K.N.	16	Tube Invest.	18		
Hawker Sidd	20	Unilever	50		
House of Fraser	15	U.D.T.	4½		

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 32

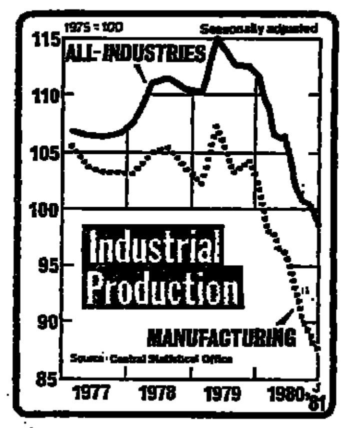
This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £500 per annum for each security

FINANCIAL TIMES

Tuesday March 17 1981

Industrial output slide quickens

BY DAVID MARSH



THE SLIDE in Britain's industrial output accelerated in January as the recession bit deeper into nearly all productive sectors.

There are growing signs, however, that the fall in output—the sharpest since the 1930s—may end soon.

Government figures published yesterday show that any recovery will take place from industrial production about 12 per cent below its level at the start of last year.

This is the largest fall of any industrialised country during the present world slump.

The Central Statistical Office reported that its index of output by Britis hindustry fell by 1.3 per cent, seasonally adjusted, in January compared with December to 98.3 (1975=100). This is the lowest since the first quarter of 1972.

The index of output by manufacturing industry dropped by 0.6 per cent to 87.5 (1975=100), remaining at the lowest level since 1967.

The sharper decline in the all-industries index reflected sizeable drops in the output of the construction industry, utilities and the North Sea oil and gas sector.

Depressed

The statistical office issued revised figures showing that December output was lower than thought.

All-industries production fell by 0.9 per cent from November against the earlier figure of 0.6 per cent. Manufacturing production was down by 1.5 per cent, compared with 1.3 per cent.

The fall in January—the seventh consecutive monthly decline for both indices—took the drop in all-industries output since January last year to 11.9 per cent.

Excluding North Sea oil and gas production, which has risen slightly, the fall was 13.4 per cent. For manufacturing industry the drop since January, 1980—which was depressed by the steel strike—was 14.4 per cent.

After last week's deflationary Budget, Ministers have been talking optimistically of the recession more or less reaching bottom. The statistical office's forward-looking economic indicators point to the trough being reached this spring—a view backed by some other forecasters.

Both the Government and private sector economists agree that any recovery will be modest.

Yesterday's figures show that output in the food, drink and tobacco, chemicals and engineering sectors declined in January from their depressed December levels.

Output of the particularly hard-hit textile industry was unchanged. That of the metal manufacturing sector—thought to be a bellwether for future trends in the economy—rose slightly.

Plan to foil civil service strike

BY PHILIP BASSETT, LABOUR STAFF

THE GOVERNMENT yesterday took its first action in response to strikes in the Civil Service over pay. The Inland Revenue asked 30,000 large organisations, which normally pay taxes due through two Revenue computers now hit by strikes, to make payments instead through the banks or the Post Office Giro system.

The unions claimed that more than 90 per cent of staff in the two computer centres, at Cumbernauld in Scotland and Shipley in Yorkshire, were no won indefinite strike. It said they were confident that the alternative arrangements by the Revenue would not work.

Regional controllers in 15 areas sent out letters to 30,000 large organisations asking them to make alternative payments. All the organisations involved, including the nationalised industries, ICI and other large companies, pay more than £10,000 every month to the two computer centres in Pay As You Earn and National Insurance contributions.

The letters said that "owing to operating difficulties," payments were not being processed, and asked employers to make their payments by Giro credit, either through National Giro or Bank Giro.

No new Giro accounts have been set up to receive the that this would be at once provocative and more easily open to union blacking. Instead, employers are asked to use the method of payment by Giro normally open to them.

The letters also asked employers to complete an advice note each time they made a payment, in an effort to try to maintain some accounting of receipts. The attempt to use Giro may run into difficulties with the banking and Post Office unions, to whom the Civil Service unions have appealed for support.

A further indication of the effect of the strikes is given in a confidential note to Whitehall liaison officers from the banking services division of the Paymaster General's Office in Crawley, where 35 staff are on strike. The PGO acts as the banker for all Government departments. It pays contractors by payable orders through their banks.

The strike is designed to deprive the Government of financial information, and the note says: "Departments should note therefore until further notice, payable orders will be paid 'blind,' and should recognise the risks."

The PGO adds that it will not be possible to compare payments with original estimates, "or to prevent payment of the items which departments have instructed the PGO to revoke." It urges departments to scale down the size of their payments, and to consider alternative methods.

Its only alternative, though, is suggested by saying that "so long as clerical staff are prepared to co-operate, efforts will be made to compare these large items (ie of £50,000 and over) with their schedules before payment is finally made." Again, the note states that "at this stage" no new bank accounts should be opened for these payments.

Nick Garnett, Labour Staff, writes: "The Banking, Insurance and Finance Union has already approached the English clearing banks separately requesting them not to ask union members to do work that would normally have been done by civil service union members.

Civil servants switch targets, Page 13

Sweden floats £50m bulldog bond issue

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

SWEDEN WILL be the first foreign borrower to float a sterling bond issue in London since last week's cut in Minimum Lending Rate.

Its £50m bulldog bond issue bears a radically different structure from the two other such issues launched since this market reopened in July.

Bulldog bonds are bond issues floated by foreigners in the UK market. City bankers expect a steady flow of such issues as the two point cut in MLR has made UK interest rates more attractive.

The Bank of England is understood to be willing to sanction issues totalling about £100 a month.

The Swedish bonds are the first to be sold on a basis exactly comparable to gilt-edged stock. This means they can be traded for lower commissions than the £75m bond for Denmark and the £15m bond for Iceland, both of which were placed outside the gilts list.

Denmark and Iceland were seeking long term money, but the Swedish issue is for five years only. It is the first to be offered for sale by tender on a yield basis, and the first which will be readily available to small investors.

The issue has been underwritten by a group of 12 banks led by Morgan Grenfell and S. G. Warburg at a yield 0.75 percentage points higher than that on 12 per cent British Treasury stock due in 1986.

The final coupon and issue price will be set only after subscriptions close, but these conditions are expected to give a yield close to that to which the underwriters are committed.

This unusual procedure has been adopted to qualify the issue for inclusion in the gilts list. Such a listing, open only to sovereign borrowers, requires that the issue be sold through a published offer for sale rather than placed directly with investors.

The time needed to produce and circulate an offer document meant that the coupon and price could not coincide with the formal launch of the issue on Thursday.

But the procedure means that the Swedish bonds should be more attractive to investors than the other two issues as they will enjoy lower trading commissions.

They will be offered on a partly paid basis with 50 per cent due immediately and the remainder on April 22. Minimum subscription is only £100.

This means small investors will be able to buy the bonds, but an interesting feature is that they will not be available to building societies who are large participants in the short-dated gilts market. The societies can only buy foreign securities issued by Commonwealth borrowers and certain supranational institutions.

The market still needs a wide range of borrowers. Investors have been struck by the fact that until now the only borrowers to tap the market have been Scandinavian. Other potential borrowers, such as French nationalised concerns, were interested but held off because they found British interest rates too high.

Euromarkets, Page 27

Gulf to buy Kemmerer Coal for $325m

BY PAUL BETTS IN NEW YORK

GULF OIL, the fifth-largest U.S. oil group, agreed yesterday to acquire for $325m (£145m) the privately-owned Kemmerer Coal Company, one of the oldest and biggest coal producers in the western U.S.

The deal is the latest in a series of spectacular moves by American oil companies to diversify further their natural resources interests.

In the past 11 days, Standard Oil of California (Socal) has bid $3.8bn for AMAX, while Standard Oil of Sohio (Sohio), the U.S. subsidiary of British Petroleum, has bid $1.77bn for Kennecott.

Including the $2bn offer by Seagram, the Canadian drinks group, for St. Joe Minerals, bids for American mining and metals companies have reached a total of $7.5bn.

Gulf agreed to buy Kemmerer for cash. The acquisition will almost double Gulf's proven coal reserves from 500m tons to nearly 1bn tons and boost its coal output by about 50 per cent.

Kemmerer last year produced 5m tons of coal, including 4.3m tons from a large opencast mine in Wyoming, where it has been mining since 1897.

Kemmerer has proven coal reserves of 400m tons and unproven coal resources of between 2.5bn and 4.5bn tons. It owns 93,000 acres in Wyoming, Utah and Colorado, which are believed to contain extensive coal reserves.

Gulf, which earned $1.41bn on revenues of $28.79bn last year, has recently been squeezed by weaker downstream operations and the complex problems involving its sizeable uranium assets. Moreover, the company's crude oil supplies from the Middle East have recently been reduced sharply.

But in recent months Gulf, in common with other U.S. oil groups, has sought to diversify its energy base, especially by expanding its coal operations, which are based mainly in New Mexico and Kentucky.

At the end of January, Gulf reached a preliminary agreement with Republic Steel, the major U.S. steel producer, to form a joint venture to own, operate and develop the steel company's North River coal properties in Alabama. Gulf said it would pay $120m for a 50 per cent interest in the venture and would contribute $35m to develop further the coal properties.

Meanwhile, Socal and Conoco, another U.S. oil group, yesterday announced a preliminary agreement to exchange substantial reserves of coal and oil shale.

End feuding, Khomeini urges

BY OUR FOREIGN STAFF

AYATOLLAH KHOEMEINI yesterday called on Iran's political leaders to end their increasingly bitter conflict lest "we be defeated in the war" with Iraq.

His appeal emphasised the gravity of the widening division between the secular and religious politicians. This has already shattered the solidarity of the Islamic revolution and could tear the country apart with violence.

Earlier, the nation's spiritual leader—now the only obvious focus of unity and cohesion—spent the morning in consultation with the main protagonists from both sides. None commented as they left the four-hour emergency meeting at which Ayatollah Khomeini's son, Ahmed, was present.

There from the secular camp were President Abolhassan Bani-Sadr and Mr. Mehdi Barzagan, the former Premier. From the regious side were four of the most prominent leaders of the dominant Islamic Republican Party—Mr. Mohammed Ali Rajai, the Prime Minister, Ayatollah Mohammed Beheshti, head of the Supreme Court, Ayatollah Mossavi-Ardebeli, the Prosecutor-General, and Hojatolislam Hashemi Rafsanjani, Speaker of Parliament.

The antagonism between the two sides erupted at a rally in Tehran last week when fighting broke out between supporters of Mr. Bani-Sadr and the Islamic fundamentalists.

Ayatollah Khomeini's intervention is the first of its kind for some time. It is unlikely to be the last.

In public he has remained strictly impartial. Yesterday, however, support for Mr. Bani-Sadr came from one of his grandsons, Hussein Khomeini, a young cleric.

In an interview with the President's newspaper, Enquelab e Islamic, he said: "Mr. Bani-Sadr is the last hope for the Islamic Republic." He claimed that 90 per cent of the clergy backed the President but they were "not politically active."

Referring to the religious fundamentalists, Hussein Khomeini said: "I heard them discussing that it would be better to lose half of Iran rather than for Mr. Bani-Sadr to be the ruler." He alleged that they were preparing charges against his and Ahmed Khomeini.

Weather

UK TODAY

Showers and bright intervals. Rain spreading from west.

England (except Lake District), Wales and Isle of Man
Sunny intervals and showers. Max 10C (50F).

N. Ireland, N.W. Scotland and Argyll
Mostly cloudy, rain at times. Snow on hills. Max 9C (48F).

Lake District, Isle of Man, rest of Scotland
Bright at first, becoming cloudy. Snow on hills, rain later. Max 9C (48F).

Outlook: occasional rain, bright intervals.

WORLDWIDE

Y'day midday °C °F

C—Cloudy, F—Fair, Fg—Fog, H—Hail, ...

Mitsubishi Electric to miss target

TOKYO—Mitsubishi Electric Corporation, the Japanese electric appliances maker, said it expects to report a smaller after-tax profit than previously expected, of about Y23bn (US$111m) for the financial year ending this month. The original estimate was Y25.50bn, and net income last year Y23.11bn.

Sales are estimated at Y1,200bn, unchanged from the original estimate and compared with Y1,070bn last year.

Emigration to Australia may double

BY MAURICE SAMUELSON

THE Australian High Commission said yesterday that immigration from Britain was expected to double in the 12 months to June.

Between July and February there had been a 68 per cent increase in applications to emigrate compared with the previous comparable period.

There had also been a surge of inquiries at the Canadian High Commission and the South African Embassy. The Canadians say these have more than doubled since 1978, but the South Africans refuse to discuss figures.

Between July and February the Australian High Commission received 66,000 applications. The 11,500 for the first two months of the year was the highest total since 1974.

The 30,000 immigrants arriving in the year ending in June are likely to be skilled workers and their families worried by the recession.

In the 1960s more than 100,000 people a year were emigrating from the UK. The new figures show a dramatic increase on last year's 16,400 and the previous year's 13,100.

The total would be higher if entry to Australia was not restricted mainly to people with special skills, such as engineering or electronics.

Tory MP

Continued from Page 1

House, and was welcomed warmly by Dr. David Owen and other Social Democratic MPs.

Later, at a Press conference in Westminster, Mr. Brocklebank-Fowler said no decision had yet been made on his political future, but his assumption was that he would fight the North-West seat as a Social Democrat at the next election.

He retained the seat in May 1979 with a majority of 7,900, but the constituency is to be substantially reorganised, making it more marginal.

He said that apart from the disenchantment with the Budget and the Government's economic strategy his main reason for crossing the floor, the first sitting Tory to do so since 1906, was his wish to see the development of a centre party to end the choices between extreme Left or Right.

UK fails

Continued from Page 1

cent, expenditure in 1982 would rise by 14 per cent. Higher farm prices boost the cost of food surpluses.

This expenditure would be higher than the growth in EEC revenue and would mean no more money would be available for non-farm policies.

With the exception of West Germany, the other member states blocked any suggestion of guidelines in a clear confirmation of their desire to raise prices by substantially more than the average 7.8 per cent proposed by the Commission.

Only Bonn backed the UK's idea of urging a price settlement whose final cost would be substantially less than the growth of the EEC's "own resources" in 1982. This revenue, derived from customs and agriculture levies and from the VAT levy, would rise by 11 per cent next year, according to the Commission.

THE LEX COLUMN

Hoisting a Royal Standard

For a long time now the Royal Bank of Scotland Group has represented the last bite-sized opportunity for outsiders to gain entry into UK clearing banking. The lush profits made in the sector in the past three years or so—at least until the Chancellor launched his windfall tax last week—have contrasted with the barren returns in markets like the U.S. or Germany.

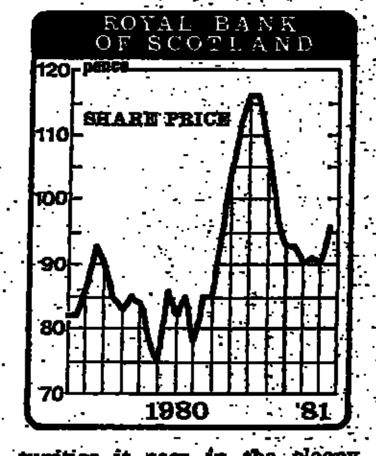
There was a bout of speculation last year that Citicorp was nibbling at the Royal Bank, as part of a deal with Lloyds (which has a 16 per cent stake) over Grindlays. That proved wide of the mark, and indeed any foreign bank must have feared stiff opposition to a bid for the Royal Bank group. Yet it seems that the Royal Bank's fears have been real enough to win it round to the advantages of throwing in its lot with Standard Chartered, foreign in its operations but British in ownership.

But the logic may seem much more compelling to Standard Chartered's management than to its shareholders. The latter have bid the shares on to a fairly fancy rating, with the price of 695p roughly matching net worth (while the yield is only 5.3 per cent). The appeal here is the group's exposure to glamorous areas like the Pacific basin. On the other hand the market is glutted with clearing bank shares, which for a variety of reasons — including the latest political tax — are regarded as offering a low quality of earnings. Thus the Royal Bank group's net worth, taking in the full market value of the Lloyds and Scottish stake, is around 230p a share against the 96p suspension price yesterday. It is the old story: portfolio managers try to diversify, but finish up back where they started having paid twice the price.

This difference in rating makes the merger arithmetic fascinating. In terms of profits, Standard Chartered seems likely to have made £230m pre-tax or more for 1980, and be on a buoyant trend, whereas Royal Bank must be on the way down after hitting the £100m mark for the year to last September. On current earnings the Royal Bank probably could not hope for more than a third of the combined equity. But on assets, it might aim for more like 45 per cent. Whatever happens Standard Chartered faces earnings dilution, but its free capital ratio should improve markedly—from 3.2 per cent to probably over 4 per cent.

No doubt Standard Chartered will stress the opportunities it sees in the sleepy field of UK branch banking; the Royal Bank group has anyway been preparing a new marketing initiative. The merger could have important knock-on effects elsewhere, notably in that the joint control of Lloyds and Scottish by Royal Bank and Lloyds would no longer be tenable. The resources released by the disposal of any Standard Chartered shares received by Lloyds in exchange for its Royal Bank staffe would be useful here. Yet all may not be settled when the terms are announced this morning. There could be a monopolies hurdle to be jumped, while if the Royal Bank group puts a price on itself a foreign bidder could be tempted to have a go.

Index rose 2.6 to 479.8



Sweden bond

The latest offering on the sterling foreign bond market, a £50m five-year bond from the Kingdom of Sweden, points the market in a more promising direction than the hesitantly trail-blazing efforts of Denmark and Iceland. Whereas these two bonds were placed with institutions and dealt in like debentures, Sweden has been persuaded to pay the higher issuing cost associated with a full offer for sale.

Bonds offered for sale by sovereign borrowers qualify for gilt-edged commission rates, so that dealing in the secondary market is cheaper; more importantly, since the settlement terms are the same as for the gilt-edged market, switching between such a bond and a gilt-edged stock should be easy.

Somehow, too, the shorter maturity may point to a deepening of the market, although it is generally true that the capacity to accept very long paper is the acid test of a bond market. But the UK institutions, spoiled by H.M. Government, are only willing to accept long bonds with no early repayment option. Not many borrowers are prepared to issue these 35-year bulldogs, so that if the market is to develop it must develop elsewhere. The French state agencies are interested in the very long end, but since they do not count as sovereign borrowers gilt-edged status is not open to them.

Some UK institutions — building societies, for instance — are unable to buy the Sweden bond, and a good deal of it seems likely to end up in foreign hands. The name of Saudi International Bank in the issuing consortium is perhaps a giveaway here, as is the availability of the bond in bearer form, which brings into the open the possibilities for tax evasion which have plagued the Inland Revenue since exchange controls came off.

The bond's principal disadvantage, assuming that much of it is locked away in portfolios, is that £50m is really not a big enough issue. But so long as the Bank of England maintains its £100m monthly ceiling on these bond issues, increasing marketability will have to come from a series of small offerings rather than the occasional blockbuster.

Destocking

The rapid destocking of 1980 is continuing unabated in the current year, the latest official statistics suggest. Up to now anyway, consumer confidence seems to have been fairly buoyant, with retail sales volume over January and February running at about 2½ per cent higher than a year earlier. But the output figures remain in stark contrast; production by the metal industries in November-January was a staggering 31 per cent lower than the 1979 average. As yet there is little sign of industrial output bottoming out. And while the rise in manufactured imports may point to an easier stocks position for retailers and distributors, manufacturers must still be wresfling their stocks lower.

So there could be further easing of pressure on the money markets from this source in the coming months. The big uncertainty is how consumers will respond to the Budget. There is plenty of fat in the savings ratio to allow final demand to continue to hold up, but the effect of falling inflation may not counterbalance the blow to confidence of higher direct and indirect taxation. Meantime, the February trade figures tend to suggest that exports are beginning to drop off.

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